

THE IMPACT OF POLITICAL IDEOLOGY ON
SOCIOECONOMIC AND BUDGETARY DYNAMICS

By

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The salience of political ideology in determining public policy has long been an issue discussed in the field of political science. In the past, some authors have discounted the importance of political variables and extolled the virtues of economic variables as a determinant of public policy. Other authors continued to support the importance of political variables and discounted the relevance of economic variables. This dissertation investigates the impact of political ideologies on outputs and outcomes in large American cities.

Cities are excellent laboratories in which to study the impact of phenomena. Impacts of political ideologies are compared between groups of cities differentiated on the basis of political perspectives. It was assumed that, if ideologies do in fact matter, differences between these groups of cities would emerge. Distinctions in regard to socioeconomic variables and budget outputs were explored and found to exist.

In general, conservative cities were associated with more positive trends in variables measuring economic development, population growth,

and ethnic composition. Conservative cities also differed in regard to budget outputs in the areas of intergovernmental revenue, general revenue, and general expenditures. These cities were less dependent upon intergovernmental transfers and more likely to have a public sector of limited scope.

The budgetary distinctions that were discovered between the different ideological groups of cities appear to have been shrinking over the past twenty years. A convergence of outputs was discovered in these cities. A convergence of political philosophies was also noted in the case studies of New York City and Dallas, with New York City adopting conservative policies of economic stimulation and Dallas displaying a willingness to accept present or higher levels of taxation.

The salience of political ideology is also evident on the national level. Distinct shifts in priorities can be attributed to the change in philosophies of our leadership and the need to implement policies which reflect the change in ideology. An understanding of the policy implications of changes in ideologies is pursued in this dissertation. Sensitivity to the implications of political ideology appears to be especially relevant today.

CHAPTER 1 INTRODUCTION

The Setting

While some cities beautify a few square blocks and some downtown areas are experiencing real estate booms, the outlook for large American cities is not promising. Projects such as the Renaissance Center in Detroit, Harborplace in Baltimore, and Fanueil Hall Marketplace in Boston have received a great deal of attention, and at a casual glance may provide evidence to some that cities are on the way back to prosperity. Careful analysis, however, reveals this is not the case. A more accurate perception is offered by Anthony Downs, who termed such projects as "islands of prosperity in a sea of decline."¹

Many catchy phrases have been utilized to describe the plight of cities. Norton Long termed cities reservations. Like an Indian reservation, the poor, the unwanted, and the helpless live visited by those who make a career out of helping.² According to George Sternlieb, cities have turned into sandboxes. Inner city residents are like children who play in the sandbox while adults (government bureaucrats) have complete control over the activities in the sandbox. They may choose to provide carrots (benefits) in order to make the children happy or the stick (repressive police measures) in order to control unruly behavior.³ The consequences of reservations or sandboxes are in Sternlieb's words both cruel and disagreeable.

Manuel Castells claims that urban problems are the result of fundamental structural contradictions inherent in the pattern of capitalist accumulation in the United States.⁴ The results of these contradictions is a breakdown in the social order which perils the management of the urban system and leads to a fiscal crisis in central cities. This breakdown in social order may have led to the rioting and looting experienced in large cities during the sixties and seventies as well as the flight of middle-class white residents to the suburbs and other nonurban areas.

In many large American cities, income suppliers or taxpayers are leaving while income recipients or welfare cases remain. Ira Katzelson explains that this trend in large cities is the result of new urban growth patterns. Katzelson further explains that the cause of this trend is due, in part, to the exodus of industry with unskilled jobs. This exodus is attributed to a number of factors: high taxes, high wages, high crime, and high real estate values. Today, only headquarters for large corporations remain in the center cities, industrial functions having long ago relocated.⁵ Large cities will have to come to grips with this basic problem if they hope to recover and rebuild.

Influences on Local Policy Making

A number of authors have looked into the determinants of public policy: investigating the linkage between public policy and a wide array of political and environmental variables. Thomas Dye explored the association between environmental factors such as wealth, urbanization, economic system, education levels, inequalities, class structure, racial composition, and religious make-up, with political systems such as

governmental form, constitutional type, bureaucracy, party system, power structure, patterns of participation, and level of conflict. Dye discovered that economic variables such as urbanization, industrialization, wealth, and education had a greater effect on policy than political variables such as degree of interparty competition, level of voter turnout, extent of malapportionment, and Democrat or Republican control of state government.⁶ Hofferbert concurred with Dye's findings that environmental or economic variables have an influence on public policy independent of political variables such as malapportionment and party competition.⁷

Other authors focused upon political structure as a determinant factor in public policy. Lineberry and Fowler maintained that unreformed structures maximized a political system's responsiveness to groups and interests in the population. Reformed governments such as the manager or commission form of government were discovered to insulate decision makers from potential conflicts and give professional managers more power.⁸

This study will focus upon political ideology as a determinant of public policy. Political ideology in this sense refers to perceptions, goals, and ideals which are deeply held. It refers to a particular frame of reference in regard to political views. This broad frame of reference will be dichotomized into two groups (liberal and conservative) and empirically tested for differences in outputs (budget allocations) and outcomes (socioeconomic variables).

It is contended in this dissertation that while some political variables may have negligible effects on determining public policy,

political ideology in the broad cultural sense does, in fact, affect public policy. While political ideology has not received a great deal of attention as an explanation of local public policy, some authors have focused upon its policy effects. Paul Peterson and J. David Greenstone maintain that the most familiar model to explain public policy at any level is the "electoral organizational interest" model which views policy as the product of exchange and compromise between interest groups and politicians.⁹ The authors found, however, that this model did not always explain behavior. When ideologies were perceived to be relevant in community-action controversies, they took precedence over electoral interests.¹⁰ Agger, Goldrich, and Swanson also stated that policy may be influenced by political ideology. This is the case especially when the policy-making processes become highly conflictual:

The maintenance of political hostility . . . would seem to contradict the pluralist conception of American community politics as being marked by consensual compromises on the part of heterogeneous political interest groups. Such hostility resulted, for the most part, from aversion to one another's political ideologies, and most decisional outcomes were a function of victories and defeats, not of compromises.¹¹

If, as Agger, Goldrich, and Swanson maintain, policy is sometimes a function of political ideology, then it is important to explore the policy implications of ideology. This study will investigate the budgetary distinctions attributed to ideology. It is hypothesized that budget levels and budget priorities will differ on the basis of ideology. Each locality must tax and provide services to its residents. Whether differences in local budgetary policies can be linked to political ideology is an important question.

Influence of Ideology at the Local Level

It is assumed that two philosophical perspectives dominate politics in America today: liberalism and conservatism. It is believed that each of these political philosophies ascribes to distinct sets of values and that these values will be transformed into differing public policies. The influence of political ideology on budgetary policy and the performance of certain socioeconomic variables will be determined through empirical analysis. It is assumed that liberals and conservatives will differ in terms of the type and magnitude of taxes advocated. Differences that we would expect to exist between liberal and conservative perspective are summarized in Table 1-1. Table 1-1 also describes value differences between liberal and conservative philosophies. A major distinction which emerges in Table 1-1 is the difference in the desired role of government from each perspective. A desire for an expansive government is held by liberals and a desire for a restrictive government is held by conservatives. In terms of budgetary policy, one assumes that liberal philosophies will be more receptive to high rates of taxation and spending than conservative philosophies.

Philosophical Differences Between Ideologies

A review of political philosophies will help to explain policy differences between cities. For example, it is clear from a review of the normative literature that conservative cities are more likely to depend upon the free marketplace and less likely to use government activism as a means of maximizing benefits and social control. The "invisible hand" of Adam Smith is invoked in order to assure us that the majority will benefit from the actions of free individuals. Individual

Table 1-1

Ideological Differences Between Conservative and Liberal Cities

Political Ideologies	Philosophical Beliefs	General Strategies	Revenue Strategy	Expenditure Strategy
1. CONSERVATIVE PERSPECTIVE (PASSIVE, LAISSEZ-FAIRE SCOPE OF GOVERNMENT; CLASSICAL LIBERAL)	<ol style="list-style-type: none"> 1. Great confidence in free market competition 2. Social costs are part of business costs 3. Increased profits provide for the poor 4. The "invisible hand" of the market will optimize the means of production 	<ol style="list-style-type: none"> 1. Give tax incentives to businesses to locate in city 2. Minimize costs; payments directly to the poor 3. Reduce the intrusion of government into the free market 4. Wage tax and encourage higher profits 	<ol style="list-style-type: none"> 1. Only collect what is needed to insure order and stability 2. Tax incentives to the wealthy 3. Place user charges 4. Limit the use of intergovernmental funds 5. Freeze government expenditures if needed 	<ol style="list-style-type: none"> 1. High priority to infrastructure spending 2. High priority to social welfare spending 3. Low priority to administration 4. Freeze government expenditures if needed 5. Have generally low levels of spending
11. LIBERAL PERSPECTIVE (ACTIVE, INTERVENTIONIST SCOPE OF GOVERNMENT)				
A. "NEW DEAL" LIBERAL	<ol style="list-style-type: none"> 1. Liberty and equality of opportunity are essential values of society 2. Government has a responsibility to ensure the fulfillment of essential values 3. Since the market system does not ensure the fulfillment of distribution, the government must provide for minimum standards 	<ol style="list-style-type: none"> 1. Assist those in need with an array of government programs 2. Inc. fair housing, affirmative action, equal education and equal opportunity would encourage equal opportunity 	<ol style="list-style-type: none"> 1. Wealth should be taxed progressively 2. Budget deficits are encouraged if needed 3. Intergovernment transfers may be necessary 4. A higher level of revenue than for cities with liberal philosophies is needed to fund government activities 	<ol style="list-style-type: none"> 1. High priority to social welfare spending 2. Higher spending in general for all programs 3. Emphasis on construction 4. Lower emphasis on infrastructure spending
B. RADICAL LIBERAL	<ol style="list-style-type: none"> 1. Believe that the problems of society can be solved by the capitalist mode of production 2. Reject the capitalist system with a more equitable and humane form of government 3. The alienation of labor and other forms of oppression inherent in capitalist system 	<ol style="list-style-type: none"> 1. Nationalize private industry 2. Redistribute the overall wealth of society so that it is more equitable 3. Put investment decisions in the hands of the workers 4. Democratize the work environment 	<ol style="list-style-type: none"> 1. Confiscate the surplus of society 2. A very high level of revenue is needed to fund the functioning of society 3. Society has a tax on individual income in order to have an equitable society 	<ol style="list-style-type: none"> 1. High priority to social welfare spending 2. High priority to planning and active spending 3. High level of spending in general

freedom and efficiency will be optimized by policies responding to these conservative predispositions.

Conservative philosophies, particularly supply-side economic philosophies, incorporate the hope to stimulate economic activity by providing incentives. It is argued that people will work and produce more if they are guaranteed a larger proportion of their earnings, or, in other words, if taxes are reduced. The government would in turn receive greater amounts of revenue since the size of the pie would be increased. In this scenario, low tax rates would prevent money from flowing to nonproductive tax shelters, such as art and race horses; money would instead flow to profitable job-producing activities.

Conservative philosophies are associated with a constricted, limited public sector. It is believed that government activity should be limited to caretaker activities such as police and fire protection. Other activities such as the provision of housing are better left to the private sector. Regulations are viewed as illegitimate intrusions into the private sector and restrictions on individual freedom. Values such as individualism, freedom, and competition are extolled in this conservative philosophy.

Conservative values are criticized by those who claim that it justifies a cruel and unjust system of production. Frederick Engels described the consequences of conservative philosophies in nineteenth-century England. Engels stated that the City of Manchester reflected the following values:

The brutal indifference, the unfeeling isolation of each in his private interest becomes the more repellent and offensive the more these individuals are crowded together within limited

space. . . . The dissolution of making into monods, of which each one has a separate principle, the world of atoms, is here carried out of its utmost extreme. . . . Hence it comes too that the social war, the war of each against all, is that the stronger treads the weaker under foot and that the powerful few, the capitalists, seize everything for themselves while the weak many, the poor, scarcely a base existence remains.¹²

Engels presents the basic point of view that individualism left unchecked by the larger community will create the type of situation where the few control the many. The electoral process, however, has had the effect of forcing conservative polities to be more responsive to the plight of the many who were being crushed by working conditions in an industrial society. At the turn of the century, Great Britain's social legislation blunted some of the disruptive forces of industrial development. Legislation such as unemployment insurance and old age benefits assuaged the ravages of nineteenth-century capitalism. Much of this legislation originally enacted in Britain was implemented by the United States Congress at a later date.

The welfare state represents government efforts to reduce the hardship of citizens in need. The cycle of boom and bust in capitalist society described by Marx and Kondratief was not eliminated by the welfare state, but the suffering which resulted from the cycle was reduced.

Ideological Transition

This dissertation focuses upon the linkage between political ideology and changes in both budgetary behavior and socioeconomic variables. Some authors claim that over the past years political philosophies of the majority of Americans have moved to the right. In order to understand the reasons behind changes in political philosophy, some of the criticisms of liberal philosophies are explored. Conservative writers

such as George Gilder and Milton Friedman claim that the welfare state and the liberal philosophies that provide the foundation for it inhibit creativity, innovation, and incentive.¹³ The public sector is said to be deadening because of high taxes which inhibit innovation and risk. Gilder claims that through welfare policies, which reduce incentive to work, the government is unintentionally creating a permanent underclass. Friedman argues that waste and inefficiency run rampant in government programs. Examples of government programs intended to assist cities may even have caused more harm than good. Jane Jacobs maintained that urban renewal hastened the decline of inner cities by destroying the integrity of those cities.¹⁴

Robert Cassidy explained how federal housing policy accelerated the decline of neighborhoods. Cassidy described in detail how the Section 235 program of federally guaranteed loans resulted in high numbers of foreclosures and housing abandonment. Shady mortgage bankers found it more profitable to lend to marginal clients who had a high likelihood of defaulting. In the event of default, the federal government paid off the loans, creating tremendous profits for lenders. Cassidy documented that, between April 1972 and March 1977, the foreclosure rate for FHA insured mortgages was 4.56 percent, a phenomenally high rate. A foreclosure rate higher than 1 percent is normally considered unthinkable in the lending business.¹⁵ A high percentage of foreclosures could have been predicted because of the profit a mortgage company secured when a default occurred. Cassidy claimed that the mortgage bankers would set up field offices in racially changing neighborhoods. They would often falsify information about family income and credit ratings. In addition,

once a family was evicted, there was no incentive to keep the house in good condition. Mortgage bankers would then often only do cosmetic work and bill HUD for more extensive repairs. Profits of over 30 percent received by mortgage investors were not uncommon when the federal government was forced to make good on guaranteed loans after recipients defaulted.

The mortgage investor ripoff is but one example of federal funds being diverted away from the poor by clever businessmen. Certainly there are administrative costs which accompany any program; yet the amount of money siphoned off from social welfare programs appears excessive. M. Stanton Evans observed that if the government had taken the increase in government expenditures for social programs and allocated it to the 23 million people who were poor, a family of four would have received \$32,000.¹⁶

Federal health policy enhanced the incomes of many highly paid doctors as well as the incomes of an army of administrators. Federal price support programs enhanced the incomes of wealthy persons in agribusiness. Federal tariff policy enhanced the incomes of industrialists in declining industries. Robert Eisner of Northwestern University described some of the consequences of federal price support programs. These programs often limit competition, provide benefits to those who do not need them, and raise the price to the consumer. Among the programs are the following:

price supports for milk as dairy prices skyrocket; trigger prices to protect our steel industry from foreign competition as profits of our steel industry soar; licensing agreements and route restrictions that dramatically curtail competition in the trucking industry, laying the ground for repeated increases in prices

and wages while trucks suffer from idle capacity and small trucking firms go out of business; sugar quotas and price supports to maintain and raise sugar prices; acreage restrictions that reduce agricultural supply; import quotas, tariffs, and orderly marketing agreements that limit the import of cheaper and frequently better foreign automobiles, television sets, and textiles; and federal, state, and local restrictions in countless occupations and industries that reduce competition and raise prices.¹⁷

From Eisner's analysis we discover that the public sector does not function only to benefit the weak and downtrodden. Agribusiness, protected industry, and providers of medical services all gain substantially from federal largesse.

Abuses of the liberal state have resulted in somewhat of a backlash in many large cities. Tax and spending policies of liberal governments may have a negative impact on the health of cities. Businesses may seek to avoid paying high rates of taxes by moving from the liberal cities with expansive governments to conservative cities with more limited governments. The flight of business may lead to other phenomena which are associated with decline, such as negative population growth and increases in elderly and minority populations. Therefore, political ideology has an effect on the well-being of cities.

In order to demonstrate the salience of ideology, distinctions between liberal and conservative cities will be empirically delineated by comparing budget outputs and changes in socioeconomic variables. The following section outlines the methodology employed in exploring these distinctions.

Empirical Differences Between Ideologies

Differences between liberal and conservative cities will be empirically identified. Cities will be typologized as liberal or

conservative on the basis of scores assigned from the liberal organization, Americans for Democratic Action (ADA). The following assumptions have been made in typologizing cities:

1. Congressmen and congresswomen of a particular municipality are representative of the political ideology of that municipality.
2. Americans for Democratic Action can accurately identify the ideological postures of legislators.

Implicit in assumption two is the understanding that Americans for Democratic Action explores key votes that reflect ideological positions. Other indexes have been devised which rank congressmen and women on an ideological dimension. These indexes correlate highly with the ADA measure.

Once ADA scores for a municipality have been computed, the scores will be arrayed. A cutoff point will be determined. Cities with high ADA scores will be classified as liberal, while cities with low ADA scores will be classified as conservative. These two groups will then be empirically compared. Socioeconomic variables and budget variables will be the focus of comparison between both ideological groups. The following socioeconomic variables will be explored.

1. Bond ratings
2. Changes in bond ratings
3. Change in size
4. Ethnic composition
5. Age of residents

6. Changes in ethnic population, changes in age of residents, changes in median income
7. Changes in total employment, changes in value added by manufacturing, changes in retail sales.

Analysis of these variables provides an indication of the economic condition of cities. Demographic changes also provide an indication of desirability of cities to our mobile population. The socioeconomic health of cities will be estimated from investigation of the variables mentioned above.

Differences in budgetary behavior between both groups of cities will also be explored using the following variables:

1. Per capita revenue (fiscal year 1978-79)
2. Per capita expenditures (fiscal year 1978-79)
3. Changes in per capita revenues between fiscal year 1959 and 1979
4. Changes in per capita expenditures between fiscal year 1959 and 1979
5. Budgeting "strategy" of cities.

This investigation will determine whether differences exist between the two groups of cities: liberal and conservative.

Conclusions

A fundamental concern of this study is the role of political ideology on public policy. This dissertation will empirically explore policy differences between municipalities that differ on the basis of political ideology. It is believed that specific differences between both ideological groups will be found. Identification of these policy

differences may prove to be a useful tool in predicting future policies and explaining present policy.

The United States appears to be in a period of ideological transition. Dormant conservative philosophies have revived and are again being discussed. Liberal political philosophies which provided the foundation for the New Deal are being questioned. New agendas are being set and established policies questioned. An understanding of the effect of ideology on policy is especially important in this political climate. It is the aim of this dissertation to assist in providing a greater understanding of policy through a perspective of political ideology. This perspective is particularly salient in view of the period of ideological transition and debate that we are undergoing today.

Notes

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³George Sternlieb, "The City a Sandbox," The Public Interest, 25 (Fall 1971), p. 17.

⁴Manuel Castells, The Economic Crisis and American Society (Princeton: Princeton University Press, 1980), p. 200.

⁵Ira Katzelson, "The Crisis of the Capitalist City Urban Politics and Social Control," in William Hawley, ed., Theoretical Perspective on Urban Politics (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1976), p. 215.

⁶Thomas R. Dye, Politics, Economics, and the Public (Chicago: Rand McNally, 1966).

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¹⁰Ibid., p. 75.

¹¹Robert Agger, Daniel Goldrich, and Bert E. Swanson, The Rulers and the Ruled (New York: Wiley, 1964), pp. 14-32.

¹²Frederick Engels, The Condition of the English Working Class in 1844 (London: International Publishers Company, Inc., 1962), pp. 46-47.

¹³George Gilder, Wealth and Poverty (New York: Basic Books, Inc., 1981); Milton and Rose Friedman, Free to Choose (New York: Avon Books, 1979).

¹⁴Jane Jacobs, The Death and Life of Great American Cities (New York: Random House, 1961).

¹⁵Robert Cassidy, Livable Cities (New York: Holt, Rinehart and Winston, 1980), p. 32.

¹⁶William Simon, A Time for Truth (New York: Readers Digest Press, 1978), p. 224.

¹⁷Michael Harrington, "Why the Welfare State Breaks Down," in Irving Howe, ed., Beyond the Welfare State (New York: Schocken Books, 1982), p. 29.

CHAPTER 2 CONSERVATIVE PERSPECTIVE

Introduction

The election of 1980 provides some indication that ideology is indeed relevant to American politics and American policy today. Whereas in 1964 and 1972 candidates who diverted from the broad center of political discourse were soundly defeated, Ronald Reagan won a resounding victory with an appeal aimed right of center. The appeal of a strong national defense, lower taxes, and lower levels of government intrusion proved to be very popular in 1980. Reagan's appeal was firmly rooted in conservative ideals. Values of freedom, liberty, and initiative were extolled by the Reagan camp. These values are completely consistent with conservative ideological philosophies. Conservative philosophies have been transformed into conservative policies. The agenda of American legislation has shifted to the right. These policy shifts are reflected in the budgets. Growth of federal spending is likely to slow while expenditure priorities shift. Social welfare expenditures are likely to be viewed with increased skepticism, along with high levels of spending in general. It is the contention of this study that budgetary behavior reflects the ideology of decision makers as much as it reflects any rational response to needs.

The Reagan administration budget provides evidence that ideologies can indeed redirect priorities. Ideologies can also reverse long-running trends. The Reagan administration appears firmly committed to

reducing public expenditures, reversing a long-term trend toward larger and larger levels of government spending.

Given the political realities of today, the Reagan administration has attacked spending through the strategy of cutting taxes and reducing government revenue. As Reagan claimed during the campaign, not allowing the public sector to have increased funds in the first place is a reasonable strategy to take in trying to reduce spending. Allocation priorities of what revenue is collected also seems to have radically changed. Between 1960 and 1975, a period when the nation was at war, the proportion of money spent on defense in comparison to the nation's gross national product declined from 9.9 percent to 6.3 percent. Domestic spending as a proportion of gross national product increased from 20.2 percent to 26.6 percent.¹

Although a fairly conservative Republican administration was in office during a good portion of those years, Congress was dominated by liberal legislators who advocated large increases in social spending and decreases in military spending. Liberal legislators today have not called for decreases in military spending but, given the mood of voters, only call for a slower rate of increase in the massive military expenditures projected by Reagan.

In order to make room for slower growth of government spending, social welfare programs aimed at helping the poor have been reduced. Richard Nathan estimates that over the next five years, military spending will rise by more than 40 percent, while domestic outlays are projected to decline by 15 percent.²

Conservative ideologues are likely to target public assistance expenditures for reduction. This is true because of their attitude that welfare or the dole reduces initiative and desire for work in the "productive" private sector. As George Gilder has explained, if the dollar value of benefits (AFDC, food stamps, medicaid, etc.) received when not working is greater than the dollar value of benefits received from working, then a rational actor could maximize his or her benefits and material well-being by not working.³ Gilder claimed that any welfare system will eventually extend and perpetuate poverty if its benefits exceed the prevailing wages of the community. As long as welfare is preferable (as a combination of money, leisure, and services) to working, the system will deter work and undermine families, according to Gilder.

Studies conducted by the Department of Health, Education and Welfare in the cities of Denver and Seattle concluded that income guarantees were dismal failures, reducing work effort by between one-third and one-half and increasing marital breakdown by about 60 percent. These findings are often cited by conservatives critical of federal programs aimed at assisting the poor.⁴

Gilder claimed that the object of welfare should be to help people out from temporary problems, not to treat temporary problems as permanent ones, and thus make them so. Welfare instead acts to erode work and family and therefore keeps people poor.⁵

Problems surrounding relief are not new. In the depression of the 1930s, it was recognized that relief created an unstable environment in contrast to the discipline created by work. Piven and Cloward stated

that relief could not restore pride to recipients. It was merely a device for keeping the populace from discontent and disorder.⁶

Conservatives of the depression era enunciated many of the themes restated by Gilder. Members of the Federal Emergency Relief Act (FERA) staff bemoaned in the mid-1930s that

a gimme syndrome was spreading. People were beginning to feel that the government actually owes[relief] to them. And they want more. Many civic leaders expressed concern that relief payments alone did not prevent men, families and communities from deteriorating; after a time on the dole, they said, family relations eroded and men no longer wanted or expected to work.⁷

Conservative themes such as this are being revived today. What may be the effect of resurgent conservatism on local governments? This is a question that is explored in this dissertation. Before the actual effects of conservative thought can be measured, however, a thorough understanding of the development of this ideology is helpful. A review of major themes of conservatism will provide insights into policy making from an ideological perspective.

Major Themes of Conservative Political Ideology

Before delineating themes of one particular ideology or another, it is necessary to define the term. There exists no universally accepted definition for ideology although the term has been in usage for quite some time. L. T. Sargent claimed that ideologies were based on the value systems of society and simplified the complexity of the world into something understandable.⁸ Frederick Watkins contended that ideologies usually represented militant and revolutionary ideas which opposed the status quo.⁹ David Ingersoll defined ideology as consisting of an assessment of the status quo and a view of the future which

was materially better than that of the present.¹⁰ Paul Sweezy, on the other hand, claimed that ideology was an ensemble of ideas, morals, and rationalizations which served the interests of the ruling class.¹¹ Max Mark claimed that ideology was usually associated with dogmatism. It contained a particular value and the assertion that only this value should be implemented.¹² Agger, Goldrich, and Swanson stated that ideologies include answers to a number of questions. Among other functions, ideologies define what role government should play in allocating resources.¹³

It should come as no surprise that a great deal of confusion surrounds the concept of ideology. It is often to the advantage of politicians to purposely confuse potential voters and to stake out the broad middle spectrum of political debate. In 1976 Jimmy Carter appealed to native southerners and conservatives who were opposed to entrenched bureaucrats in Washington or anybody else connected with the federal establishment. Carter, was cautious, however, not to antagonize liberal Democrats who represented powerful interests within the Democratic party. Carter wanted to move to the right but not so far to the right as to endanger liberal support. He was able to unify the Democratic party and win in 1976 because, unlike McGovern in 1972, he represented the interests of more conservative elements within the Democratic party.

In 1980 confusion resulted when John Anderson, a conservative Republican during his twenty years in Congress, ran for the presidency appealing to voters who considered themselves liberals. Ronald Reagan received strong support from conservatives but also appealed to

blue-collar workers who traditionally had been members of the Democratic coalition. Reagan often invoked upbeat references to Franklin Delano Roosevelt, claiming that he represented the party of solutions while the Democratic party could only counsel acceptance of economic limitations.

Modern politics does not lend itself to an understanding of clear ideological distinctions between candidates. Conservative and liberal philosophies, however, differ in regard to fundamental values and ideals. This chapter reviews major themes of conservatism in order to provide insight into the relevance of political ideology to public policy.

Two characteristics of American conservatives predominate in the literature:

1. A clinging to the notions of laissez-faire economic principles
2. A clinging to the old virtues of economic individualism and the frontier.

Conservatives clinging to laissez-faire economic principles justify their philosophical positions on the basis of classical liberal beliefs toward liberty and economic freedom. There exists general agreement that conservatives in America today are characterized by a clinging to these two principles. Conservatives, however, differ in regard to priority of values. Some focus upon culture or the environment, others emphasize moral issues, while still others concentrate upon economic issues.

Conservatives who characterize problems of society as a result of cultural forces include Edward Banfield, James Q. Wilson, and Daniel Patrick Moynihan. Moynihan has been classified as a "neoconservative" and "neoliberal," but labels have less significance than substance. Moynihan is firmly in agreement with Banfield and Wilson that cultural phenomena prevent the public sector from accomplishing its objectives to assist the underclass in America.

Banfield asserted that government programs aimed at assisting the lower classes were doomed to fail because of the nature of the lower classes. Persons in the lower classes were characterized by Banfield as

1. Radically improvident with a low sense of self-worth
2. Preferring immediate consumption, especially for sex and violence
3. Taking no interest in work but working in order to live
4. Unable to maintain satisfactory social relationships with others
5. Preferring violence to living in harmony.¹⁴

In contrast to lower-class individuals, upper-class individuals were characterized by Banfield as being

1. Self-respecting and self-confident
2. Independent and considerate of others
3. Motivated by internal standards
4. Tolerant of their children's preferences
5. Opposed to bigotry and violence.¹⁵

Many have termed Banfield a racist; yet he claims that culture is a product of socialization, not genes. Banfield concluded that little could really be done for the lower classes because of their attitudes and motivations. The culture in which lower-class attitudes and motivations are developed will prevent public programs from achieving success. Banfield felt that one must first change the culture in which the individual is largely formed before improvements to the individual could be expected to take place:

So long as the city contains a sizable lower class, nothing basic can be done about its most serious problems. Good jobs may be offered to all, but some will remain chronically unemployed. Slums may be demolished, but if the housing that replaces them is occupied by the lower class it will shortly be turned into new slums. Welfare payments may be doubled or tripled and a negative income tax instituted, but some persons will continue to live in squalor and misery. . . . If, however, the lower class were to disappear—if, say, its members were overnight to acquire the attitudes, motivations, and habits of the working class—the most serious and intractable problems of the city would all disappear with it.¹⁶

Moynihan was not concerned with the time orientation of individuals which would determine class (Banfield's thesis); instead, Moynihan focused upon the problems of the Negro family. Moynihan concluded that the problems of inner cities were intractable because of the matriarchal structure of today's Negro families. Because of chronic unemployment, Negro men were unable to become strong husbands and fathers. The welfare system even encouraged men to abandon their families, in which case the family could qualify for public assistance. Moynihan believed that problems with the Negro family made government programs inherently inadequate.¹⁷ Like Banfield, Moynihan concluded that deep-seated problems precluded the success of federal programs as they attempted to alleviate the problems of the poor.

James Q. Wilson maintained that efforts to assist the poor may even be counterproductive. This he attributed to the phenomenon of rising expectations and what Wilson termed the "psychological urban problem."¹⁸ The psychological urban problem relates to expectations increasing faster than achievements. Wilson claimed that, viewed in the historical perspective, conditions of the city in terms of housing and poverty have gotten better, not worse. The gap, however, between the quality of life in the central city and in the periphery has widened. This situation has led to urban discontent. Furthermore, the discontent will not be alleviated in the short run:

Efforts to lessen the gap between expectations and achievements will, in the short run, only make the discontent produced by the gap more acute. This is one of the inevitable tensions in a society committed to self-improvement.¹⁹

Banfield, Moynihan, and Wilson all expressed skepticism regarding the viability of federal programs. Each pointed to some fundamental problems affecting the individual which prevents the success of public programs. Today, conservative philosophies have their greatest impact in the field of economics. Conservatives are replacing Keynesian philosophies with supply-side and monetarist views. This marks a fundamental shift of economic policy in the nation.

Supply-side economics is a restatement of Say's Law, a classical principle of economics presenting the view that supply creates its own demand. Supply-siders maintain that in an unfettered market, production would generate income (wages, profits, and rents) which, when spent, would be just sufficient to clear the market of all the commodities produced.

Two corollaries to Say's Law follow:

1. If there is unemployment and idle capacity, they can be eliminated by an increase in production or the supply.
2. Policies aimed at stimulating the economy need only be concerned with increasing production.

Supply-siders advocate reducing the tax rate (especially for the wealthy who would be more likely to reinvest their income) in order to stimulate production. National income would rise, along with rises in productivity, which would result from increases in private investments. Government revenues would rise, even with the lower tax rate, because of the expansion of the economic pie. With the return of a vital economy, government programs such as unemployment insurance would be less costly and the budget could be balanced. Inflation would also abate due to the increase in productivity. Producers would be able to lower prices without sacrificing profits.

Supply-side economists emphasize the negative effect taxes play on the economy. Arthur Laffer's primary point is that there are always two tax rates which will yield the same level of governmental revenues.²⁰ This is true because at a certain point governmental tax rates become so oppressive that production falls and there is less revenue available to tax. The Laffer Curve, first drawn by Arthur Laffer on a napkin in a Washington restaurant, is displayed in Figure 2-1. Laffer argues that, when the tax rate is at 100 percent, all production ceases in the money economy. People will not work in this economy if all earnings are taxed. The effect will be the same as if the tax rate were zero—government would not be able to collect any

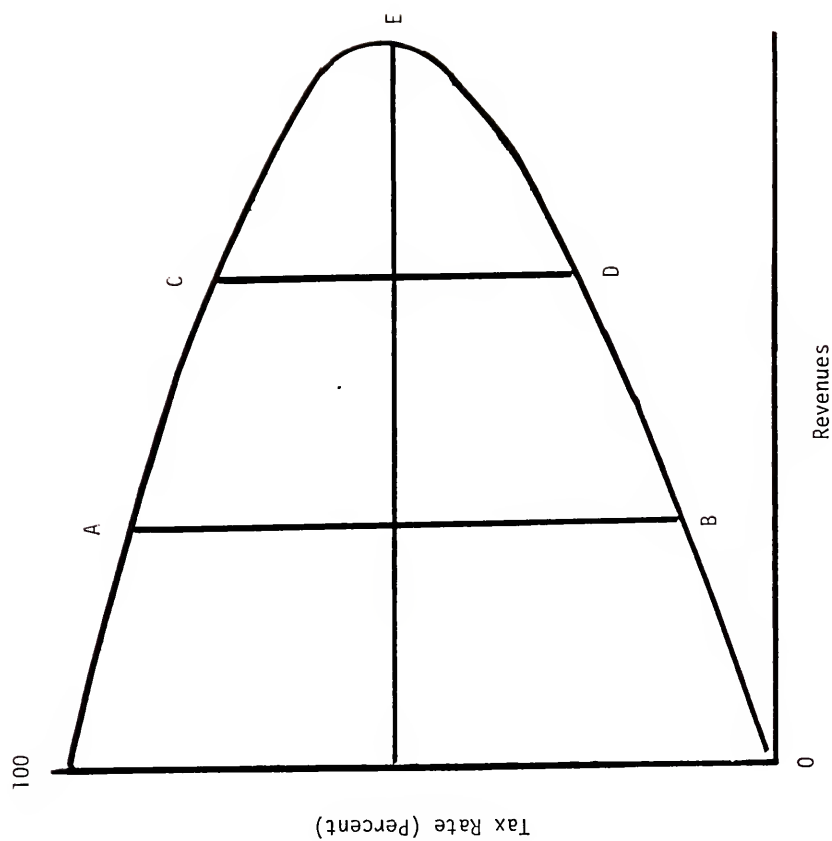


Figure 2-1. The Laffer Curve. (Source: Jude Wanniski, *The Way the World Works* [New York: Simon and Schuster, 1978], p. 97.)

revenue. As taxes move down to point A or up to point B, the government begins to receive money from taxes. Point A represents a much higher tax rate than point B, but, because of the flight from taxes into the underground economy and into tax shelters, the amount of revenue collected is identical. In similar fashion, government revenues will increase by either lowering or raising taxes until point E is reached.

Point E is not a fixed number but can be represented by a high or low number depending upon attitudes and environmental conditions. For example, during the siege of Leningrad, Russian soldiers worked to their physical limit though they received the barest rations for their services.²¹ Under other conditions people would not voluntarily allow the government to take the fruits of their labor with so little in return. Point E, therefore, is more of an attitudinal value—the point at which the electorate desires to be taxed and the point where tax revenues and production are maximized. The idea behind the Laffer Curve is that, paradoxically, more tax revenue may be collected by reducing taxes than by increasing taxes. The level of support for tax programs plays an important role in the Laffer Curve. If the populace is unsupportive of the government in general, and taxes specifically, then increasing taxes could drive business into the underground economy where the government is unable to extract any revenue. High tax rates may also result in less investment and risk taking.

From the Reagan economic program we can conclude that "Reaganomics" is based upon the proposition that we are in the upper portion (prohibitive range) of the Laffer Curve, and that lowering the tax rate will increase revenues by moving down the curve until point E (optimal point)

is reached. Evidently, Reagan's economic advisors expected an increase in investment in plant and equipment to occur along with the reduction of taxes. This, however, has not occurred. It is unlikely that investment will occur in periods of slack demand such as a recession. Tax cuts have resulted in greater concentration of capital with the surge of mergers recently. They have not resulted in a surge of investment in new plants and equipment. All of this creates doubts in the viability of supply-side economics.

While the popularity of supply-side economics appears to be waning, conservative monetarists exert great influence. Conservative monetarists are followers of Milton Friedman and the Chicago school of economics. They believe that inflation can be controlled by controlling the supply of money. Monetarists on the Federal Reserve Board have limited the supply of money in an effort to reduce inflation. It appears that they have been all too successful. As Friedman maintains, limiting the supply of money provides a cure for the ravages of inflation but the cure is not painless.²² High unemployment and slow economic growth are said to accompany slower growth in the supply of money. This has been the case in the recession of 1981-82. If anything, the chairman of the Federal Reserve Board has been criticized by the White House for not sufficiently restricting the supply of money even though unemployment reached a post-World War II high.

Conservative economists, in general, have an orientation different from that of liberal economists. They are fully supportive of Adam Smith's concept of the "invisible hand." As developed by Smith, the "invisible hand" concept provides that no exchange will take place

unless it is beneficial for all parties involved. The free market operating under the influence of this invisible hand, therefore, will provide the greatest benefit to society in general.

Friedman presented numerous examples of the superiority of free societies (free market economies) when compared to collective or controlled societies. The most obvious example is the contrast between East and West Germany. This is an excellent example of two nations with common cultures—the same civilizations and same levels of technical skills and knowledge. Friedman asks which nation has prospered and which nation has constructed walls to pen in its inhabitants. Friedman claims that on one side there are brightly lit streets filled with bustling people. Newspapers and magazines expressing every variety of opinion can be freely purchased. Conditions reflect the economic and political freedoms that characterize this nation. However, "a walk of a few hundred feet, after spending an hour filling out forms and waiting for your passport to be returned, will take you to a city where the streets appear empty; the store windows dull; the buildings grimy."²³

Other examples abound in Friedman's analysis. Yugoslavia, although its standard of living is lower than that of neighboring Western nations, such as Austria, is seen as a paradise in comparison to the Soviet Union. This is attributed to the greater degree of economic freedom found in Yugoslavia when compared to the Soviet Union. In the Far East, other nations that rely on private markets—Malaysia, Singapore, Korea, Taiwan, and Japan—are thriving. The economic development of two ancient civilizations with sophisticated cultures—India and Japan—are also compared by Friedman. India is

said to have many advantages over Japan, such as natural resources, a trained civil service, and an excellent railroad system. Friedman claims that, despite the many similarities between Japan in 1867 and India when it received independence in 1947, the outcomes of the two nations' economic development were quite different. In thirty years Japan extended social and economic opportunity to all citizens, dismantling its feudal structure. Economic improvements rapidly followed. In the thirty years following Indian independence, only lip service was paid to the elimination of the caste system and differences in wealth grew wider. Friedman attributes the differing success stories of Japan and India to the fact that Japan relied primarily on voluntary cooperation and free markets while India relied on central economic planning.

Friedman concluded that the "deadening effects of government" may eventually destroy both the freedom and prosperity enjoyed in the United States:

The experience of recent years—slowing growth and declining productivity—raises a doubt whether private ingenuity can continue to overcome the deadening effects of government control if we continue to grant ever more power to government, to authorize a new class of civil servants to spend ever larger fractions of our income supposedly on our behalf. Sooner or later—and perhaps sooner than many of us expect—an ever bigger government would destroy both the prosperity that we owe to the free market and the human freedom proclaimed so eloquently in the Declaration of Independence.²⁴

The spotlight in recent times has centered around economic policy; yet moral issues occupy an important place in conservative philosophies. Many conservatives blame the decline of America on a decline in the moral character of its people. They believe that, in order to "make America great again," there must be a return to a greater sense of

morality in the country. Work, family, neighborhood, and God are, according to George Gilder, the pillars of our free society.²⁵ Erosion of those pillars has resulted in the erosion of American greatness.

This moralistic theme is espoused by politicians such as Ronald Reagan and Jack Kemp. Reagan based a large part of his campaign on restoring American greatness and returning to those values that made America great. Kemp echoed this view, claiming that turning away from the pillars of our society (individual, family, and neighborhood) and relying upon Washington as the salvation for our problems is one of the fundamental mistakes of American society.

Somewhere along the line we lost the focus on the individual, the family, and the neighborhood that was once the heart of the American Dream. Political leadership turned away from confidence in the citizen as an individual, in the family as the bedrock of a free society, and the neighborhood as a basic unit in the democratic framework. Attention instead turned toward Washington, and to an infinite variety of grandiose programs and plans that were supposed to lead or command us to a better life.²⁶

This revival of moral posturing is indicative of the salience of religion and the New Christian Right today. The New Right firmly backed by the New Christian Right has experienced remarkable success in recent elections.

The New Christian Right, advocating a politics of moralism, was successful in nominating Ronald Reagan in 1980 instead of other hopefuls such as John Connelly (who enjoyed the support of the business community), Robert Dole, George Bush, and Howard Baker. The New Christian Right also claimed credit for the election of 25 out of 30 targeted seats in the House of Representatives. Liberal Democrats, such as Elizabeth Holtzman of New York, Robert Coats of Oklahoma, Robert Morgan of North Carolina, and Jim Folsom of Alabama, all went down to

defeat in the Reagan landslide of 1980.²⁷ (Table 2-1 lists the senatorial candidates receiving New Christian Right support and the outcomes of their elections.²⁸) Senators elected in 1980 will not come up for reelection until 1986. Twenty liberal senators up for reelection in 1982 have already been targeted by the New Right. Advocates of the New Right are gaining confidence and believe that they can now defeat liberal candidates. Pat Robertson reflects this sentiment: "Now America could defeat liberals, the ones who had failed to control dope, pornography, abortion, feminism, and moral decay because they were dedicated to secular humanism."²⁹ The confidence reflected in Robertson's observation indicates that 1980 may have been something more than a temporary aberration. Success has brought confidence as well as funds, and well-organized campaigns. Support from the New Christian Right has greatly aided the larger group which is termed the New Right. The New Right has demonstrated that it is a political force to be dealt with in the 1980s. Blue-collar Democrats concerned about "social" issues have combined with conservative Republicans concerned with the economy to form a solid coalition under the banner of the New Right.

The New Right

Although the New Right is generally associated with conservative Republican candidates, this is not necessarily always the case. The Democratic governor of Massachusetts, Edward King, is also associated with the New Right. King mobilized support through appealing to "social conservatives" in the state. The litmus test for the New Right will not necessarily be reflected in the future success of incumbent Republicans.

Table 2-1
New Right Candidates Supported

Candidate, Senate	New Right Group	Outcome
John East (R-N.C.)	MM, NCPAC	W
Frank Murkowski (R-Alas.)	MM	W
Warren Rudman (R-N.H.)	MM	W
Jeremiah Denton (R-Ala.)	MM, NCPAC	W
Paula Hawkins (R-Fla.)	MM, CV, NCPAC, RR	W
Charles Grassley (R-Iowa)	CSFC	W
Don Nickles (R-Okla.)	MM, NCPAC, RR	W
Dan Quayle (R-Ind.)	MM, CV, NCPAC, RR, CSFC	W
Mack Mattingly (R-Ga.)	MM, NCPAC	W
James Abdnor (R-S.D.)	MM, CV, NCPAC, RR, CSFC	W
Steven Symms (R-Ida.)	MM, CV, NCPAC, RR, CSFC	W
Gene McNary (R-Mo.)	NCPAC	L
Paul Gann (R-Calif.)	MM, NCPAC, CSFC	L
Mary Buchanan (R-Colo.)	NCPAC, CSFC	L
Bob Dole (R-Kan.)	MM	W
Jake Garn (R-Utah)	MM	W
Paul Laxalt (R-Nev.)	MM	W

Key: CSFC - Committee for the Survival of a Free Congress
 RR - Religious Roundtable
 MM - Moral Majority
 CV - Christian Voice
 NCPAC - National Conservative Political Action Committee
 W - Won
 L - Lost

Since 1960 incumbent presidents have not fared well. Richard Nixon was the only president reelected; yet he failed to serve out his second term, leaving the White House in disgrace after Watergate. Lyndon Johnson decided not to seek reelection in 1968 while incumbent Presidents Ford and Carter were defeated in 1976 and 1980 respectively. Irrespective of political party, the endurance of the New Right can be observed through the policy positions of candidates. When Democrats such as Jerry Brown campaign on the platform of law and order, balancing the budget, and lowering taxes, evidence is provided that the agenda of political debate has shifted to the right. Significant distinctions exist between what has come to be known as the Old Right and the New Right. Paul Weyrich noted a number of these distinctions. Weyrich stated that the Old Right was strongly intellectual, pursuing a level of discourse above the language of the ordinary man. The New Right, in contrast, reaches the common man through a direct discussion of "gut" social issues such as crime, abortion, busing, and pornography. The Old Right gave primacy to laissez-faire principles. The New Right supports the free enterprise system but also realizes that people have come to expect certain things of their government and that it is possible to extend public services without destroying the free enterprise system.³⁰

The New Right is seen by Weyrich as the vanguard of a new direction for America. The Old Right was fearful of the media while, in contrast, the New Right believed that it had nothing to hide. The Old Right spoke abstractly about the decline of the West, and wrote off such groups as labor unions, churches, and the working class. In

contrast, the New Right presents concrete programs that would in its view preserve the values of the middle class, and build alliances with groups that the Old Right disdained.

The New Right comprises what sociologist Donald Warren has termed "Middle American Radicals" (MARs). These MARs possessed the following characteristics in the mid-1970s:

MARs had a family income of \$3,000-\$13,000. There was a strong presence among them of northern European ethnics, although Italians tended to account for more MARs than other groups. MARs were nearly twice as common in the South as in the north-central states. They tended to have completed high school but not to have attended college. They were more common among Catholics and Jews than among Protestants, and among Mormons and Baptists than among other Protestant sects. They tended to be in their thirties or in their sixties and were significantly less likely to be professional or managerial workers than to be skilled and semi-skilled blue-collar workers.³¹

The New Right capitalized upon the general feeling among MARs that government favors both the rich and the poor to the detriment of the middle classes. The dominant perception is that "the rich give in to the demands of the poor, and the middle income people have to pay the bill."³² The MARs see themselves as ravaged in a "sandwich" attack by the autocrats from above and the underclass from below.

The New Right is very pragmatic in its attempt to mobilize middle-class dissent. Richard Viguerie, the main political strategist of the New Right, believes that conservatives can build a majority coalition in America. "Social issues" such as pro-family issues (right to life, gay rights), pornography, gun control, street crime, busing, drug abuse, capital punishment, and ERA are all issues that are perceived as attractive to the New Right, and that could attract "social conservatives" from the Democratic party.

Viguerie clearly sees the tide running in favor of conservative candidates. He claims that as early as 1966 the country exhibited second thoughts about the Great Society. In 1968 George Wallace capitalized on conservative sentiment, in 1972 George McGovern, the candidate of the liberals, received less than 2/5 of the popular vote, and in 1976 Jimmy Carter, campaigning as a conservative Democrat, defeated a field of liberal contenders for the nomination.³³

Viguerie cites a study by Dr. Harold Voth, psychiatrist at the Menninger Foundation, who declared that in his opinion the family unit was deteriorating in America. Dr. Voth claimed that industrialization, wars, economic pressure, and working mothers have all combined to deprive children of good parenting, that without committed parents there will be few healthy children and without healthy children a society will soon lose its vitality. The New Right cites this and similar studies, and is committed to working everywhere necessary to protect and preserve the American family as it evolved during the nation's 200-year history. Viguerie concluded that "each American shares the responsibility to make America great again. We must use whatever talents God has given us. This can take many directions. Community work, church activity and political involvement are just a few."³⁴

It is sometimes difficult to notice long-term trends, but it appears that a conservative shift is occurring in the nation. Electoral success and the greater visibility of the New Right are two indicators of this shift. Enunciation of conservative policies even by Democratic candidates is another indicator. If indeed there is a shift toward conservatism, what this shift will mean to local governments is a

matter of importance. Ideology, this study contends, has implications to local government. What these implications are is delineated in this dissertation.

Influence of Conservative Values on Local Governments

Conservatives are in general agreement on issues such as the role of government. Conservatives favor a restrictive government. Lack of unity, however, exists in regard to the emphasis conservatives place upon certain issues. This chapter has discussed three major themes of conservatives: culture, economics, and morality. Each of these perspectives supports the general conservative positions of low taxes and low expenditures. "Cultural" conservatives are likely to support the position of low taxes and low levels of services because of their belief that public programs are bound to fail. These cultural conservatives, such as Edward Banfield, James Q. Wilson, and Daniel Moynihan, present evidence that cultural characteristics are likely to doom any governmental efforts to alleviate or improve conditions of the poor.

Banfield focuses upon class based upon time orientation of individuals. Individuals seeking immediate gratification were characterized as lower class while individuals who were able to postpone gratification were said to be of a higher class. Banfield concluded that lower class individuals could not be helped unless their cultural predispositions could undergo a transformation.

Moynihan asserted that our current welfare system could not adequately deal with the problems of the inner cities because it did not deal with the fundamental problem of the black family. Problems in the black family stemmed from the poor self-image of the often unemployed black father.

Wilson presented the thesis that government programs may even be counterproductive, leading to rising expectations and increased frustration. The common thread connecting the views of Wilson with those of Banfield and Moynihan is the observation that government programs are not accomplishing their objective. If this is true, then the perception is that high levels of public expenditures are either wasteful or counterproductive.

"Economic" conservatives such as the supply-siders, believe that government expenditures should be low in order to provide adequate incentives to business and to stimulate growth. The Laffer Curve demonstrated that high rates of taxation could actually reduce the amount of revenue collected by a polity. Cities are particularly vulnerable to loss of business to other locations. Levels of taxation may influence businesses either to stay in the city or to relocate.

New York City is an example of a government following supply-side philosophies. Having suffered from the flight of business in the 1960s due to high rates of taxation, New York City put caps on property taxes and offered generous tax abatement plans to businesses after 1975. This policy was inaugurated in order to stem the outflow of jobs and businesses from the city. This conservative economic program had great success in revitalizing many parts of downtown Manhattan. A real estate boom developed in parts of Manhattan in the late 1970s. Unfortunately, the program has not succeeded in revitalizing the decaying outlying boroughs of Brooklyn, the Bronx, Queens, and Staten Island.

"Moral" conservatives attack government programs from the perspective that the dole or welfare increases marital breakups and reduces

initiative. They argue that governments have taken over many of the responsibilities that previously rested with the family or the church, and as a result the pillars of our society—family, work, and neighborhood—have been severely undermined.

Summary

This chapter has described resurgent conservative philosophies. It has provided insight into why public policy differences exist between people who have different values and perceptions. Theoretical positions have been explained. In later chapters differences between conservative and liberal cities will be empirically explored.

Notes

¹Thomas Dye, Understanding Public Policy (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1975), p. 199.

²Richard P. Nathan, "Field Network Evaluation of the Reagan Domestic Program," Public Budgeting and Finance 1:4 (Winter 1981), 85.

³George Gilder, Wealth and Poverty (New York: Basic Books, Inc., 1981), p. 122.

⁴Ibid., p. 120.

⁵Ibid., p. 127.

⁶Frances Fox Piven and Richard Cloward, Regulating the Poor: The Functions of Public Welfare (New York: Random House, 1971), p. 80.

⁷Ibid., p. 81.

⁸Lyman Tower Sargent, Contemporary Political Ideologies: A Comparative Analysis, noted in Leon Baradat, Political Ideologies (Englewood Cliffs, N.J.: Prentice-Hall, 1979), p. 32.

⁹Frederick Watkins, The Age of Ideology-Political Thought, 1950 to the Present, noted in Leon Baradat, p. 33.

¹⁰David Ingersoll, Communism, Fascism, and Democracy, noted in Leon Baradat, p. 33.

¹¹Paul Sweezy, "Vietnam: Endless War," in Marvin Gottelman and David Mermelstein, eds., The Failure of American Liberalism (New York: Vintage Books, 1970), p. 594.

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²⁶Jack Kemp, An American Renaissance: A Strategy for the 1980's (New York: Berkley Books, 1979), p. 163.

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CHAPTER 3 LIBERAL PERSPECTIVE

Introduction

Liberalism, like conservatism, stands for a specific group of ideals and values. It is assumed that these different values will lead to different policy preferences and different governmental priorities. A review of the philosophies underpinning liberalism provides some insight into the underlying reasons for the policy differences. A review of liberal legislation also should provide insight into how liberal philosophical beliefs are eventually transformed into law.

Liberals hold a view of the world different from that held by conservatives. Liberals are generally optimistic about the ability of man to improve life through human reason. They believe that people are basically good and that factors which contribute to the realization of human potential should be carefully nurtured. Liberals believe that people are rational and that all should have equal opportunity to succeed in life. Ideals of liberals also hold that all men and women are fundamentally entitled to equal treatment under the law. This view contrasts with the conservative belief that inequities are inevitable. Under the view of Adam Smith, inequities of wealth will arise but this is necessary in order to optimize benefit to all.

Today, much confusion surrounds the meaning of the term liberalism. In the early nineteenth century, liberals concerned themselves with

what they considered to be oppressive obligations to authoritative institutions such as the state and the church. These institutions were perceived to restrict individual freedoms and the fulfillment of the human personality.

"Classical" liberals believed that government could be oppressive if it was given too much power. These philosophers sought to protect individuals from the abusive power of the state. Today's liberals, however, view the abuses of industry as a factor in inhibiting the standard of living of the masses. By the late nineteenth century many social critics agreed that the dangers of excesses from the industrial revolution had become more insidious than the dangers of government. Today liberals try to use the government or the state in their efforts to curb the abuses of industry.

C. B. Macpherson claimed that the term "liberal" is a source of confusion today. He claimed that it means so many things to so many people that it can easily be misunderstood.¹ This confusion that Macpherson refers to is especially great when it refers to politicians who benefit from blurring issues. It is also great in periods of ideological transition such as is the case today.

Labels describing ideological positions may be quite confusing. Daniel Moynihan was referred to as a "neoconservative" in the mid-seventies but is referred to today as a "neoliberal." The confusion does not lie in a change of philosophy by the senator but rather in a change of reference point. The political center has moved so far to the right that labels assigned to people like Moynihan are changing.

This chapter reviews liberal thinkers, the evolution of liberal legislation, other "left of center" positions, and the implications of liberal perspectives to local governments. As with the discussion of conservatism, it is hoped that this discussion of liberal views will provide an understanding of fundamental values and ideals. This understanding of the ideals of liberal ideology will assist in evaluating policy.

Liberal Thinkers

The classical view of liberalism is rooted in the period called the Age of Enlightenment. This view emphasizes man's rationality and reasonableness. Reason is stressed rather than tradition. For liberals, contract replaces status, and individual rights replace the rights of existing power holders.² Liberalism also tends to support the rights of the individual against the forces of the old Establishment. "War on privilege" was a rallying cry of early liberal philosophers. These philosophers utilized liberal beliefs as a weapon in the struggle against privileges of the aristocracy.

Liberal ideals reflected the views of the upper-middle classes who favored institutional protection of their rights. Liberal insistence on constitutional government, division of powers, and clearly defined tasks for the executive, legislative, and judicial branches of government protected the middle classes from arbitrary actions by the government. This liberal doctrine which protected individual rights against potential abuses of government served as a major doctrine from the seventeenth century to the nineteenth century.³

Classical liberal authors from John Locke to John Stuart Mill questioned privileges of the ruling strata. Locke's concept of civil society was derived from two closely connected ideas: the social contract and natural law. The social contract was an agreement of the people made of their own free will. Individuals freely agreed to enter a civil or political society in order to better secure their rights.

Locke believed that people were equal only in that they had the same rights under the laws of nature. The ability to defend those rights varied from individual to individual. Injustices could prevail if one person struggled with another who was stronger. Right or wrong would not enter into the picture under this scenario. Locke felt that, in order to ensure justice, individuals in a community should make a contract among themselves, thereby removing themselves from the state of nature. A society would be created through this social contract.

Many of Locke's ideals are embraced by today's liberals; other views of Locke are embraced by today's conservatives. Locke favored a capitalist economic system, believing it to be the most conducive to individual freedom. Locke, however, would probably have objected to the great disparities in property that existed in latter-day capitalism. Locke clearly believed that property accumulation should be limited. No person should accumulate so much property that others would be prevented from accumulating the necessities of life.⁴ Without such a restriction, according to Locke, it would be possible for one person, through control of property, to deny others their identities and even their ability to be fully human.

Locke assumed that the basic interests of all people in a given society were the same. This is referred to as the principle of collective interests. Locke further believed that whatever was beneficial to the society as a whole would be beneficial to the individual. This led to the belief that the majority vote is the most important feature of political decision making.⁵

Locke's legacy to liberal thought rests on his belief that the purpose of government is to serve the people. The government's sole purpose is to maintain and increase individual rights and liberties. While these ideas are consistent with the values of liberals, they are, however, also consistent with the values of conservatives.

Jeremy Bentham was in the forefront of a second wave of liberal thinkers. Bentham believed that people could use reason to improve their lives. A basic assumption of his was that men seek to achieve pleasure or happiness. Bentham's personal view maintained that the greatest end for society would be the maximization of the greatest happiness:

In the public sphere, he [Bentham] considered that the only end which could be reasonably and acceptably postulated for a society at large was the maximization of aggregate happiness, the greatest happiness of the greatest number, and the principle of utility laid down that actions and institutions were to be judged by how far they were conducive to this end.⁶

Bentham did not believe that in a properly ordered society the long-term interests and happiness of individuals would be in conflict with the happiness of others in society. Laws would discourage anti-social behavior, which would have the effect of molding men's desires to seek pleasure in a manner conducive to the general happiness. Bentham contributed greatly to the development of liberalism as we

know it today. He presented a practical standard by which to measure the value of particular policies.⁷ He set liberalism on a new course that could significantly improve the conditions of society. Bentham also provided motivation for many social reforms adopted by England between 1830 and 1850.⁸

The most important philosopher of the nineteenth century was John Stuart Mill. Like Bentham, Mill was a political activist and spent three years in the House of Commons. He supported the radical issues of his day such as free education, trade unionism, equal apportionment of parliamentary seats, and repeal of the corn tariffs.⁹ Mill clearly emphasized energetic and original individuality. Emphasis on spontaneity, character, and originality in human beings typified Mill's writing. The few experimenters and improvers of society were exalted as the "salt of the earth."

He [Mill] favoured the active, self-helping type of man required in a democracy as against the passive type of character, preferred by the government of a monarchy or aristocracy. Subjectation to the will of others and the virtues of self-help and self-government were incompatible.¹⁰

Mill argued that, although democracy was the preferable form of government, even democracy could limit individual liberty. For this reason, freedom of speech and thought should be given absolute protection under the law. Mill believed that individual freedom was the surest way of reaching happiness. This position, consistent with the view that the First Amendment to the Constitution is the most important section of the document, has been supported by some justices of the United States Supreme Court.¹¹

Mill's views concerning minority rights are often quoted. His position on this matter is reflected in the following statement: "If

all mankind minus one were of the opinion, and only one person were of the contrary opinion, mankind would be no more justified in silencing that one person than he, if he had the power, would be in silencing mankind."¹² Mill was also a firm believer in freedom of the press. He felt that in conditions of the free competition of ideas, the right ideas would prevail. This was further justification for an open, free, and uninhibited expression of minority opinions.

Mill was the first liberal philosopher to attack laissez-faire capitalism. His attack against the "enslaving capacity of capitalism" was so effective that few liberals have supported laissez-faire since his time.¹³ Both Bentham and Mill laid a foundation that liberal philosophers could build upon. Both were interested in political activity. Bentham believed that the government should take positive steps to maximize the happiness of the society. Mill became an activist, supporting the radical issues of his day. The liberal legacy in America owes much to Bentham, Mill, and Locke.

Social Welfare Legislation

Philosophers such as Mill, Bentham, and Locke fostered liberal values and ideals. The ideal of liberals, namely, the concept that reason will lead to solutions to society's problems, led to social welfare legislation aimed at alleviating the conditions of the poor and the working class. Modern social welfare legislation dates back to the time of Otto von Bismark of Prussia. Bismark feared that class war could erupt in Germany if the state ignored the problems of the working classes. He urged "a little more Christian solicitude for the working man," at a time when Marxist views were gaining in popularity.¹⁴

Social welfare legislation was also inaugurated in Great Britain at the turn of the twentieth century. Liberalism underwent a distinct transformation at this time. Concern for individual rights and liberties was replaced with concern for social justice for all the people. This concern for greater justice and equity led to legislation in the areas of health insurance, pensions, unemployment, and care of school children.

Liberals, spurred by the writings of John Stuart Mill, began to move away from the defense of free market competition. The social costs of defending competition on the basis of individual freedom had become too great. The industrial revolution in Britain had created massive poverty and social disruption. In response to these unfavorable conditions, people began to demand that the government provide some protection for the exploited workers. The idea that a self-regulating market would provide the greatest benefit for the entire society simply collapsed in the face of reality. Liberals began to concern themselves with social justice and the problems of inequitable distribution of resources. A "new liberalism" evolved, stressing social reform. Two conceptions of social reform were

1. The notion of rendering help to individuals and groups that were materially disadvantaged with respect to their fellow citizens, and
2. A desire to redesign society in such a manner as to realize ethical values among all members; to heighten awareness of communal ends and the changing role of the state.¹⁵

Advocates of this brand of liberalism, such as Mill, pushed for social legislation in Parliament. If industrialization and capitalism

infringed upon the rights of workers to achieve a satisfactory life, then the belief of these liberals was that the government should step in to assure workers their rights. Old age pensions were among the first measures recommended in Britain. The corollary in the United States to Britain's old age pensions is our system of social security. It was argued in Britain that, since pensions were payable to state servants (soldiers, sailors, postmen, and policemen), they should also be payable to other workers. Old age pensions would also serve to increase aggregate demand, improve social justice, and create a fuller perception of the state as the leader of a community. The Nation, an organ of new liberalism, enthusiastically endorsed the concept of universal pensions.¹⁶

Old age pensions successfully expressed the sense of responsibility of the state to provide a minimum standard of living to the elderly who had contributed to society. The provision of old age pensions is based on the recognition that earnings in old age will be insufficient and that the state should have the responsibility of caring for its needy. Prominent liberals such as L. T. Hobhouse recognized that pauperism among the aged was not due to shiftlessness, as the case may be with the younger poor, but was the normal fate of the poorer classes.

It also became recognized that unemployment was not the result of shiftlessness. Unemployment was a cyclical phenomenon in industrial Britain. Workers would be periodically laid off because of slack demand. This was no fault of their own and not a result of laziness, irresponsibility, or other character defects. In the early twentieth

century the government of Britain accepted responsibility for the problems of unemployment. It was recognized that the community must take responsibility for some of the problems that were foisted upon its members.

Care of school children was another issue that attracted a good deal of attention in Britain. State care of young children was perceived as a viable means for breaking the vicious circle of social distress characteristic of the lower classes. The Speaker, another liberal publication, claimed that it was the duty of the state to insist that every child in elementary school have the physical sustenance required for development.¹⁷ The Nation claimed that parents should supply the necessary level of sustenance but, in the event of their refusal or inability, it should be supplied by voluntary means or the local government.¹⁸ A number of motives were involved in advocating the feeding of school age children. Justice and humanitarianism were major motives; yet the development of a sense of social solidarity did not play an unimportant role. Children were viewed as a natural resource indispensable to the well-being of the community. Their development was regarded as too important to be left entirely to individual parents.

The area of health care is still another area where the government of Britain accepted responsibility for the provision of services. The Insurance Act of 1911 provided national health and unemployment insurance for all workers. Joint responsibility was assumed by workers and the state in order to ensure this protection. The British system of health care is referred to by many in this country as an example of poor health coverage; yet many consider it better than the

situation in this country, where a person's life savings may be wiped out by medical costs. The United States has adopted some of Britain's views toward health care, but, with Medicaid for the poor and Medicare for the aged, we have not gone as far as Britain or a country such as Israel in providing free health care to all. In other areas, such as old age pensions, unemployment insurance, and the feeding of school children, the United States has closely followed the British initiatives.

Many persons credit the social legislation that was passed in the United States during the Great Depression with saving our economic system. There are many radical writers who do not believe that the capitalist system should have been saved and that it is doomed to collapse. They advocate radical changes which would guarantee less exploitation, greater equality, and greater justice. In this regard they can be perceived as an extension of the liberalism expressed at the turn of the century in Britain.

Radical Perspectives

The radical perspective is heavily influenced by the works of Karl Marx and Frederick Engels. Marx's beliefs were founded on the principle that the capitalist system of production is oppressive and ultimately doomed to fail. A dictatorship of the proletariat would emerge as the workers would rise up to replace the bourgeoisie. Eventually, the state would "wither away" and an egalitarian society run by the workers would prevail.

A number of factors were suggested as the cause of the inevitable downfall of the capitalist state: for example, appropriation of the

"social surplus product" and the "alienation of labor." Social surplus product refers to the part of production produced by the laboring class but taken from them by the ruling class.¹⁹ Alienation of labor refers to the cleavage between the producer and the product. Division of labor and commodity production are said to contribute to this alienation.²⁰ Pride of workmanship is reduced with the newer means of production such as division of labor. Business cycles represented another part of Marx's overall conception of capitalism. Capitalist society was perceived to be plagued with periodic cycles of boom and bust. These cycles were said to be inherent and necessary in order to "rationalize" production. Less efficient firms will be driven out of business in periods of business contraction.

Marx claimed that since production is determined for the realization of profit rather than for the satisfaction of social need, the masses are oppressed and cyclical trends of boom and bust occur. Manuel Castells, a modern-day Marxist, emphasized these problems caused by the privation of profits coupled with socialization of costs.²¹ Frederick Engels described how capitalism's influence extended even into the spatial arrangement of cities. Engels claimed that in the city of Manchester the working classes lived in the immediate vicinity of the commercial district. The upper and middle bourgeoisie lived beyond these quarters, the middle class or middle bourgeoisie, in Engels' terms, lived in regularly laid out streets, and the upper bourgeoisie lived in remoter villas and gardens.²²

In a large sense the living arrangements in twentieth century America do not differ from the living conditions Engels described

in nineteenth-century Britain. Suburbanization has allowed middle- and upper-class Americans to escape the much harsher conditions of the inner cities. Many working-class residents in America today have been able to escape to the suburbs themselves. The phenomenon of the lower classes remaining in the center city, however, has not changed.

David Harvey expanded upon Engels' concept of spatial arrangement being determined by economic and cultural relationships. Harvey differentiated between "physical feelings about the spatial symbolism which surrounded the individual."²³ Cultural conditioning, group learning, and individual learning were all associated with social space. Harvey advocated a more egalitarian social structure than the one which is said to exist in the United States. He claimed that "hidden redistributions" lead to greater inequalities than we are led to believe. A policy of "overkill" in redistribution of wealth is advanced in order to counterbalance apparent and hidden inequities. Harvey, however, was not optimistic about the political realities of a campaign to redistribute wealth:

These [mechanics governing distribution] seem to be moving us toward a state of greater inequality and greater injustice. Unless this present trend can be reversed, I feel that almost certainly we are headed for a period of intense conflict [which may be violent] within the urban system.²⁴

Harvey maintained that central authorities should allocate resources in such a manner that social justice would be maximized. Territorial justice (a term first coined by Bledwyn Davies in 1958) was also advocated by Harvey.²⁵ It refers to the equalization of justice between boundaries, measured by assessment of need; contributions to the common good; and merit. Actual resource allocations can be compared to

projected allocations based upon these three measures, which, in turn, will measure the extent of social justice in each of the territories of a nation.²⁶

Harvey claimed that policies which maximize the prospects for the least fortunate regions should be devised. Experience with political realities, such as gerrymandering, indicates that it is unlikely for resources to be distributed justly. Harvey speculated that in a capitalist society, capital is most likely to flow to places where the rate of return is highest, and unlikely to flow to areas of greatest need. He found it hardly surprising that the housing market of inner cities has collapsed and that more investment has occurred in the outer rings of the cities since investment opportunities are likely to be more profitable in these areas.

Harvey concluded that in order to improve the quality of life in urban areas, structural changes must be made in our society. Produced and controlled scarcity is one of the factors that Harvey claimed produces the exploitation of the many by the few.

If it is accepted that the maintenance of scarcity is essential for the functioning of the market system, then it follows that deprivation, appropriation and exploitation are also necessary concomitants of the market system. In a spatial system this implies that there will be a series of appropriative movements between territories which leads some territories to exploit and some to be exploited. This phenomenon is most clearly present in urban systems.²⁷

Michael Harrington concurred with both Harvey and Engels that structural conditions within the capitalist society have produced tremendous inequalities in our system and led to the exploitation of the many by the few. Harrington claimed that the American political and economic system must be made accountable for laying waste to the urban areas of

America. He attributed the decline of our cities today to blind obedience to corporate priorities, the market, and technology. That human costs of market decisions are rarely considered he saw as a defect of the system:

The market analysis of the urban crisis obscures both the real costs and the social and economic consequences of the process it describes. Not so incidentally, this flaw is in the interest of the rich and powerful and to the detriment of the most vulnerable people in the nation. In this theory, it is tacitly assumed that one must, in the name of rationalization and efficiency, let the market forces do their work even if the result is havoc for millions and for entire communities.²⁸

Harrington claimed that abandoning neighborhoods in cities such as New York, Detroit, Cleveland, and St. Louis was one way of getting rid of old plants and investing in new areas. Whether or not this is the best method of modernizing an economy is questioned, since the social cost of disinvestment is often ignored. Harrington believed that major corporations should bear some of the social expenses if they are to relocate their plants. He claimed that they are able to walk out on their employees and their former city without so much as waving goodbye. Harrington completely rejected the validity of the market theory of development. These theories are said to represent a remarkable alibi which absolves those involved from responsibility for economic disasters.

Harrington postulated that the federal government played a major role in creating the economic problems that plague cities today. He cited favorable tax treatment offered to home mortgages, huge expenditures for highways, investment tax credits for businesses, and inequitable distribution of federal money back to cities as examples of federal policies which had a negative effect on cities. Harrington also viewed New Federalism as penalizing the large cities. Nixon's plan to turn

money back to the states and localities to use at their discretion, rather than to earmark the funds to mandated programs, resulted in larger proportions of federal money going to small and moderately sized cities and smaller proportions going to the largest cities. Harrington estimated that, between 1968 and 1975, the share of money going to large cities declined by 20 percent.²⁹ Politically, this is understandable since many of the largest cities are Democratic and unlikely to benefit from Republican policies. Harrington concluded that his proposition about the federal government fueling urban decline was supported by the facts:

The destruction of great American cities was not the result of economic forces acting autonomously and independently of the human will. Rather these forces operated in, and were significantly shaped by, an environment created by political decisions which were systematically and coherently thoughtless as far as social cost and consequence were concerned.³⁰

Others have discussed the structural problems alluded to by Harvey, Marx, and Engels. Manuel Castells, a prominent "structuralist," described the problems of our cities. Castells defined the crisis of declining services and deteriorating infrastructure in American cities as a manifestation of a larger economic crisis in our system. He attributed the larger economic crisis to the socialization of costs and privatization of profits that occur in our capitalist form of government. Castells cited the following basic structural contradictions in our structure:³¹

1. The contradiction between the growing need for public services in a system of socialized consumption and the increasing privatization of profits

2. The contradiction between the growth of local governments' responsibilities and their inability to deal with the problems either financially or institutionally
3. The contradiction between the need to maintain central functions and the urban sprawl of metropolitan areas
4. The contradiction between the concentration of surplus populations in the center cities and the lack of mechanism of integration in the center city.

Castells maintained that these contradictions threatened the very basis of urban existence. They represented a growing breakdown of the means of collective consumption. This breakdown could be witnessed in the destruction of portions of cities such as in Baltimore, Boston, and St. Louis. The South Bronx of New York City was cited as the most famous example of the decay that threatens our large cities. In the South Bronx the process of abandonment and deterioration of real estate values had encouraged the setting of fires in order to collect money from insurance companies. Castells claimed that there were 12,300 fires in the South Bronx in 1974, approximately 10 every night. The going rate paid to children to start the fires was incredibly only three to ten dollars.³² This statistic in itself is indicative of the chaos that ran rampant in New York during the seventies. The South Bronx represented the most famous but not the only area of New York in turmoil. Brownsville and Bushwick in Brooklyn were also laid to waste in the seventies.

Castells speculated that the breakdown of social order had its roots in the "ideological experiences of oppression" and the "social

structure of exploitation" that was rampant in our cities.³³ The exploited vented their frustrations upon the support systems of the inner cities in the seventies. Street crime and riots were the most significant factors in the breakdown of order in the cities. This breakdown of social order also had a major impact on the management of cities. Castells maintained that the social breakdown contributed to both the failure of the cities to manage their affairs and to the urban fiscal crisis. The fiscal crisis is, in Castells' view, the result of the socialization of costs and privatization of profits that occurs in our system. Castells concluded that the fiscal crises of municipalities could eventually threaten the legitimacy of local governments and that policies must be implemented to overcome the crises. In Castells' view these policies would be the result of class conflict within the framework of our social structure. The radical perspective can be perceived as an extension of liberalism's concern for social justice and equality. Radicals, however, do not believe that the legislation aimed at alleviating injustices went far enough. They believe that New Deal legislation in the United States probably saved the capitalist economic system; however, they do not believe that the system was worth saving. They contend that significant changes are needed in order to correct the structural contradictions manifested in the system — changes they claim would bring about more social justice and equality.

In the United States radical intellectuals have not been very successful in fundamentally altering the system. Workers in America have struggled and achieved a relatively high standard of living. The exploitation and poverty noted by Marx and Engels when describing the

plight of the majority of industrial workers in England does not apply to industrial workers in America today. Revolutionary movements have in fact been more successful in agrarian societies than in the industrial society where Marx predicted the proletariat would seize control. China, Vietnam, Cuba, Ethiopia, Nicaragua, Angola, and Afganistan are examples of agricultural societies that have accepted collective forms of government.

There is evidence in the United States that the proletariat, or workers, are not as radical as others, such as intellectuals or students. In the sixties the construction workers, or "hard hats," symbolized conservative thought. In 1972 large numbers of workers abandoned their traditional political home (the Democratic party) because the standard bearer was perceived to be "too liberal." In 1980 the proletariat, or working class, delivered a resounding victory to the conservative candidate, Ronald Reagan. Workers in America today have a vested interest in the continued prosperity of the nation. They have attained a decent standard of living through many years of struggle with management. Sweatshops in New York and the Ludlow massacre in Colorado are two examples indicating that the struggle has not been easy. It appears that, in response to a shift to the right by many workers, liberals are modifying their public positions. Neoliberalism refers to this shift to the right.

Neoliberal Positions

A new group of Democrats who claim to be the political heirs of John F. Kennedy are gaining visibility in America today. This group has only recently been defined. They are represented by senators such

as Bill Bradley of New Jersey, Gary Hart of Colorado, Paul Tsongas of Massachusetts, and Max Baucus of Montana; congressmen such as Timothy Wirth of Colorado, Richard Gephardt of St. Louis, James Florio of New Jersey, Leon Panetta of Monterey, California, Albert Gore of Tennessee, and Phillip Sharp of Indiana; governors such as Jim Hunt of North Carolina and Bruce Babbitt of Arizona; communicators such as economist Lestor Thurow of MIT, Morton Kondracke of The New Republic, James Fallows of the Atlantic Monthly, Charles Peters of The Washington Monthly; and even bankers such as Felix Rohatyn.³⁴

What the neoliberals represent has only recently been defined. Neoliberals would like to free themselves of the albatross of discredited social programs of the sixties. They would, however, like to retain an allegiance to the ideals of the sixties—compassion for the downtrodden, justice, fair play, and liberal ideals. Neoliberals claim that they simply would like to practice pragmatic politics and that they will repackage the politics of good intentions in a manner that does not disrupt society. A closer inspection of the platform and agenda of neoliberals reveals that in many respects their positions are not much different from the positions advocated by the New Right.

Neoliberals wish to limit the role of government but do not call for the extent of contraction desired by the Right. Congressman Richard Gephardt claimed that government has a duty to see that people are not "crushed by the economic forces of the free market," but he asserted that government has no business being in other areas, such as health care.³⁵

In terms of economic posture, neoliberals do not differ much from neoconservatives—both stress tax incentives, economic growth, and the encouragement of the entrepreneurial spirit. According to Charles Peters of The Washington Monthly,

ninety percent of our bright young kids of the Seventies have gone to law school or business school. Instead of going into something that would create a new enterprise that would make the country move again, they are going into whoring. I don't want to lose to the Japanese.³⁶

This nationalistic appeal is heard with equal clarity from the Right. Neoliberals, however, differ from neoconservatives in terms of priorities. Neoliberal emphasis is almost exclusively on economic issues. Neoconservatives, many of them sociologists, insist that America's problems stem from a cultural breakdown. Economic problems are only a manifestation of the deeper cultural problems of the nation, in the view of these neoconservatives.

Neoliberals recognize the need for more government-business cooperation. The Japanese concept of teamwork explained in the recent best seller Theory Z is extolled by neoliberals.³⁷ Emphasis is also placed on research and development and long-term rather than short-term solutions to our economic problems. Fear that the traditional excellence of the United States is slipping is another thesis of the neoliberals. Neoliberals view traditional liberals such as Kennedy and Mondale as "paradigms of tired thinking," and view themselves as representing the new direction of liberalism in America. A neoliberal agenda emphasizes the following:

- 1) Compulsory National Service
- 2) Negative Income Tax
- 3) Central Economic Planning
- 4) Hi-Tech Industrialization

- 5) Better Defense
- 6) Cooperative Regionalism.³⁸

Implications of Ideology to Local Governments

Does political ideology have a marked affect upon the budgetary behavior and socioeconomic conditions of cities? This is a question that will be investigated in greater detail in the following chapters. Some make the argument that there is no liberal or conservative method of sweeping a street, teaching children, controlling crime, or budgeting. Whether differences between liberal and conservative cities exist in regard to budgeting will be determined. Intuitively, one would expect policies in conservative cities such as Dallas and Houston to be distinctly different from policies in liberal cities such as New York and Boston. This may be attributed to the fact that we expect leaders in conservative cities to rely upon the free market to a greater extent than leaders in liberal cities. One would expect, a priori, liberal cities to be characterized by high per capita expenditures, high borrowing, and high intergovernmental revenue. Presumably, these revenues and expenditures would be necessary and would be supported by the citizens in order to fund the expansive type of government likely to be encouraged by liberal philosophies.

Summary

This chapter has delineated basic philosophical positions of the liberal political ideology. It has also discussed the historical evolution of liberal legislation. Both of these discussions are aimed at providing theoretical insights into why policy differences may exist between liberal and conservative cities. These differences will be empirically explored in later chapters.

The discussion of the rise of the neoliberals demonstrates that ideology is indeed a matter of interest today. Just as the rise of the New Right describes ideological foment, the rise of neoliberals represents the Democratic party's response to the electoral success of conservative candidates. Both of these movements indicate that the agenda of the nation has shifted to the right. If one believes the assumption that a shift in ideological values of the nation is occurring, one should also be concerned with the consequences of this shift. This study will evaluate the association between political ideology and specific public policy. Through this analysis we can begin to assess the policy implications of shifts in value priorities or shifts in ideologies. In the following chapters the association between political ideology and budgetary policy are empirically investigated. Whether different budgeting policies exist between liberal and conservative cities is explored. Specific categories of revenues and expenditures are compared between liberal and conservative cities. The extent of difference in these categories is empirically identified. The discussion of New Right positions provides an indication of the salience of the conservative position today. There was a time when conservative ideology in America was considered dead. The election of 1980 and other elections, however, demonstrated that the Right has the ability to draw support from a broad spectrum of the electorate. Working-class support of conservative Republicans particularly troubles Democrats accustomed to the support of rank and file labor. Frustrations of coal miners, truckers, and farmers have been exploited by the New Right anxious to build a durable coalition.

Notes

¹C. B. Macpherson, "The False Roots of Western Democracy," in Fred R. Dallmayr, ed., From Contract to Community (New York: Marcel Dekker, Inc., 1978), p. 17.

²E. K. Bramsted and K. J. Melhuish, eds., Western Liberalism (London: The Chaucer Press, 1978), p. xvii.

³Ibid., p. xvii.

⁴Leon Baradat, Political Ideologies (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1979), p. 61.

⁵Ibid., p. 62.

⁶Bramsted and Melhuish, p. 20.

⁷Baradat, p. 94.

⁸Ibid., p. 94

⁹Ibid., p. 96.

¹⁰Bramsted and Melhuish, p. 249.

¹¹Baradat, p. 97.

¹²Bramsted and Melhuish, p. 79.

¹³Baradat, p. 97.

¹⁴Asa Briggs, "The Welfare State in Historical Perspective," in Mayer Zald, ed., Social Welfare Institutions (New York: John Wiley & Sons), p. 62.

¹⁵Michael Freedon, The New Liberalism: An Ideology of Social Reform (Oxford University Press, 1978), p. 20.

¹⁶"Pensions and the Poor Law," Nation, 16.3.1907, quoted in Freedon, p. 203.

¹⁷Freedon, p. 222.

¹⁸Ibid.

¹⁹Ernest Mandel, An Introduction to Marxist Economic Theory (New York: Pathfinder Press, 1979), p. 9.

²⁰Ibid., p. 13.

²¹Manuel Castells, The Economic Crisis and American Society (Princeton, N.J.: Princeton University Press, 1978).

²²Frederick Engels, The Condition of the English Working Class in 1844 (London: 1962 Edition), pp. 46-47.

²³David Harvey, Social Justice and the City (Baltimore: Johns Hopkins University Press, 1975), p. 34.

²⁴Ibid., p. 95.

²⁵Ibid., p. 101.

²⁶Ibid., p. 101.

²⁷Ibid., p. 119.

²⁸Michael Harrington, Decade of Decision (New York: Simon and Schuster, 1950), p. 186.

²⁹Ibid., p. 199.

³⁰Ibid., p. 203.

³¹Manuel Castells, The Economic Crisis and American Society (Princeton, N.J.: Princeton University Press, 1980), p. 200.

³²Ibid., p. 208.

³³Ibid., p. 214.

³⁴Randall Rothenberg, "The Neoliberal Club," Esquire, February 1982, p. 38.

³⁵Ibid., p. 44.

³⁶Ibid., p. 45.

³⁷William G. Ouchi, Theory Z (New York: Avon Books, 1981).

³⁸Rothenberg, p. 45.

CHAPTER 4 NEXUS BETWEEN IDEOLOGY AND SOCIOECONOMIC VARIABLES

Introduction

The association between political ideology of cities and the experience of their socioeconomic variables is explored in this chapter. Causality is not determined, only distinctions based upon the difference of means between liberal and conservative cities. A number of socioeconomic variables are compared employing the difference of means, t tests. The overall health or economic viability of cities is also compared utilizing bond ratings and changes in bond ratings as surrogate measures of municipal health. Prior to the investigation of socioeconomic distinctions between liberal and conservative cities, the development of the concept of ideology is discussed.

Development of Concept of Ideology

The term ideology was first coined by the French scholar Destutt de Tracy (1754-36), who used the term in his study of the Age of Enlightenment.¹ Destutt de Tracy viewed ideology as part of a newly conceived science of ideas, which was to be the basis of a new social order. At the turn of the eighteenth century, Destutte de Tracy and his followers enjoyed great popularity. The influence of the movement was short lived, however. Napoleon dismissed the leaders of the movement as a group of tiresome theorists. In order to establish a strong central state, Napoleon decided to restore the influence of the Church rather than to support the influence of the "science of new ideas."²

Ideology was little heard of after the failure of de Tracy to reform France in the late eighteenth century. Marx resurrected the term, however, in the mid-nineteenth century. His earliest systematic use of the term occurs in The German Ideology, which was co-authored with Frederick Engels. Marx and Engels viewed ideology primarily as a fabrication used by one group of people to justify their place in society. The idealized use of the term as a science for the improvement of society had been abandoned. In the view of Marx and Engels, ideology was a concept that worked to benefit the ruling class by guiding the programs of the existing class structure. An ideology would cease to exist only when it no longer met the demands of its population. At that time a new ideology favoring the interests of a different class would emerge. Marx's Theses on Feuerbach presents a rough outline of his definitive work on ideology.³ In this work, Marx emphasized the practical nature of thought and denied the importance of unpractical thinking. Marx maintained that only thought could change the world—all else was trivial. Only by changing the world, Marx believed, could men destroy the society that alienated them from themselves. Alienation is a vital component of what Marx termed "false consciousness." Since in contemporary societies all that is naturally human is alienated from man, alienation of thought naturally follows. Alienation of thought leads thinkers to believe their works to be true; yet this is false consciousness or the individual's mistaken belief.⁴

Marx observed that alienation of social thought was centered on the state instead of the real basis of alienation which was property. Political thought mistakenly centered upon state institutions rather

than on problems arising out of private ownership of property. This political orientation was further evidence of the false consciousness of thinkers and the extent of their alienation. Only if thinking were directed at the real basis of society (property) would thought cease to be alienated. False consciousness was said by Marx to explain the errors of previous thinkers and to provide an explanation of how societies are ruled:

The false consciousness of a ruling class, its ideology, guides it according to the direction of its own interest. The ideology of the bourgeoisie, for example, is the programme of bourgeois expansion and power. The exponent in this programme is the political economist, who tells the bourgeois how to expand his capital at the fastest possible rate. On Marx's understanding this programming is unobjectionable, until the economic and social system which is guided by the bourgeois ideology stops expanding. . . . When the forms of material production are no longer able to meet the demands of an expanding population, the social system is bound to be overthrown. But before this occurs, a new ideology, one setting forth a programme⁵ favourable to the interests of a different class, will emerge.

In short, Marx viewed ideology as an idealized justification for ruling-class control, which meant control of all means of production—goods as well as ideas. New ideologies would take hold only when material production was no longer able to meet the demands of the population. In this manner the world would follow the history of material change, not the logic of thought, as Hegel claimed. Marx was critical of all philosophy and what he termed the delusions of absolute idealism. A prerequisite for Marx's "socialist science" (which would be led by the proletariat) would be what Marx termed an "unmasking of human self alienation."⁶ Marx's theory of ideology was assigned this task. Marx maintained that once the unmasking process had been accomplished, all would be clear. He stated that "it is the task of history, therefore,

once the other world of truth has vanished [false consciousness], to establish the truth of this world."⁷

Karl Mannheim, another important contributor to the development of the concept of ideology, was in agreement with Marx in that he believed all thinking was socially determined. He believed, however, that Marx's writings were no more free from ideology (false consciousness) than the works Marx attacked. Marx, he claimed, used false consciousness to discredit opponents but did not apply the same criterion to his own works.

Mannheim claimed that men's thoughts are in accordance with their class positions, and that the task of intellectual criticism is to understand and benefit from the ramifications of this insight. Mannheim concluded that no idea was strictly congruent with reality, all ideas being more or less pathological expressions of social discontent. He distinguished between what he termed utopies and ideologies, calling

the more incongruous thoughts, the ones which are so incongruous that they prevent the thinker from acting effectively, ideologies. The more effective ones, the ones which enable men to break through the status quo and satisfy the needs of the thinker, are called utopias. Mannheim admits that a little insecurity and maladjustment in a class is to be expected, for then the class concerned will express its grievance in the form of what he calls a utopia and so overcome its problems.⁸

Mannheim feared that unmasking false consciousness might prevent utopian responses to pressing problems. When this unmasking occurred, groups shorn of their utopia might react to the situation not by reference to their true position, but by taking refuge in what was perceived as an intractable pathological response or ideology.

Both Mannheim and Marx laid the foundation for an understanding of ideology. Since the time of Marx, ideology has been utilized as a

means of describing class conflict and philosophical beliefs. It also has been viewed as a means of studying how ruling classes have justified their positions. Perhaps most important, ideology provides a means of investigating historical change.

Dialectical View of Ideology

Ideology has been utilized as a means of understanding large changes in the history of man. Marx's concept of dialectical materialism is fundamental to the Marxian understanding of history. Ideology plays a large part in this dialectic, or change, that is ever occurring. The concept of the dialectic was borrowed by Marx from George Hegel. Hegel developed a theory of history based upon the concept of change in which the world was progressing toward an ideal or goal that was predetermined by God.⁹ According to Hegel, people should not try to adjust the progress of history—which he viewed as beyond their power and predetermined by God. People, he wrote, would find truth only when they accepted their place in history, or in the Divine plan. Marx was not in accord with this view of history but adopted Hegel's idea of the dialectic process.

Hegel believed that the dialectic was a divinely created force by which the Idea [history] was to unfold. He believed that any reality is two things. It is itself, and it is part of what it is becoming. Thus the only consistency Hegel saw was change itself. He called this the power of the negative. To Hegel history was simply the process of change brought on by struggle. In this process no truth was ever lost since today's reality would become part of a more perfect truth tomorrow.¹⁰

Marx changed Hegel's dialectic in order to suit his own view of historical progress. While Hegel argued that the dialectic was a struggle between divinely inspired ideas which culminated in change,

Marx postulated that the dialectic was a struggle among worldly (not Godly) interests. Marx, therefore, is said to have "stood Hegelism upon its head":

Marx believed that the human conflict was caused by social class differences. In addition, he held that the struggle that occurred at the end of one historical era and led to the dawn of a new one was a struggle between opposing social classes. Further, he believed that humanity had passed through four historical stages and was about to enter its fifth and final era.¹¹

The first era of human history was said by Marx to be based on primitive communism where no occupational specialization or division of labor existed. As specializations developed, they led to strife and conflict, with empire resulting from the strife as the second dominant political system. Slavery was said to have been the economic system that supported the political system of empire. Feudalism emerged as the political-economic system toppling the old system of empire. Bourgeois democracies were the basis of the political systems replacing feudalism. Capitalism was the economic system supporting the bourgeois democracies. The proletariat, or the factory workers, were to be the vehicle for the creation of the fourth historical era. This fourth era would emerge as the end product of the final dialectical struggle—all classes but the proletariat would be eliminated; the source of all human strife would disappear; and a new, classless society holding its goods in common would emerge. In this society all people would find peace and happiness.

Whether one adheres to the dialectical view of history or not, it is fairly clear that some ideological change appears to be occurring in America today. For the purpose of this study, the impact of this change on local governments is of primary concern and will be evaluated.

First, however, two procedures must be implemented: (1) ideology must be operationalized and transformed from a theoretical concept into an objective value, and (2) cities must be characterized according to ideology so that their behavior can be contrasted.

Empirically Characterizing Cities by Ideology

The twenty largest cities in the United States were typologized as either liberal or conservative¹² by use of rankings by the Americans for Democratic Action (ADA). These ADA rankings were assumed to represent an independent, nonpartisan measure of ideology. The ADA was organized in 1947 by a group of political leaders, trade union officials, and university people. Its purpose was to serve as a bulwark of liberal anticommunism,¹³ and it is dedicated to work for the nomination and election of liberal candidates to public office, regardless of party label. The Americans for Democratic Action is established to "seek out, propose and support candidates who stand for regorous liberal programs."¹⁴

As stated in the introduction, a number of assumptions were made in typologizing cities. Among them are (1) congressmen and congresswomen of a particular municipality are representative of the political, cultural, or political ideology of that municipality, and (2) Americans for Democratic Action can accurately identify the ideological posture of legislators.

Evidence exists that ADA scores accurately reflect the ideology of the members of Congress and correlate highly with other indexes that claim to describe ideology. A strong negative correlation exists between the ADA measure and conservative measures of ideology. Those

with high scores on the ADA scale rank low on the conservative scale and vice versa. It is assumed that the key votes chosen by the ADA represent policies with an ideological frame of reference.

Through ADA rankings, a measure of ideological preference for each city was attained. For example, New York City is represented in the House by districts 7-22. The representative from each of these districts is ranked by the ADA with regard to his or her correspondence with liberal positions on certain values. By averaging the scores of all of New York's representatives, an ADA score for the entire city can be calculated. This procedure was carried out for the other cities and arrayed from highest to lowest. The highest cities on the ADA ranking were designated "liberal" cities while the lowest cities were designated "conservative" cities. Appendix A shows ADA rankings for each district in the cities under review; Table 4-1 arrays the average ADA ranking for all of the cities. The cities were dichotomized into two categories in Table 4-1. the cities with the highest ADA scores (Baltimore, San Francisco, Los Angeles, New York, Cleveland, Memphis, Boston, Detroit, Milwaukee, Chicago, Philadelphia, and San Jose) were characterized as liberal; the others were characterized as conservative. The majority of the conservative cities were located in the sunbelt. Los Angeles and Memphis were the only liberal sunbelt cities. Columbus and Indianapolis were conservative cities not located in the sunbelt. The salience of political ideology relative to region is discussed below.

Table 4-1
Ideological Ranking of Cities by ADA Scores

City	ADA Score	
Baltimore	91	
San Francisco	90	
Los Angeles	85	
New York	80	
Cleveland	80	
Memphis	79	
Boston	77	
Detroit	74	
Milwaukee	71	
Chicago	68	
Philadelphia	67	
San Jose	66	Liberal
Houston	60	Conservative
San Diego	51	
San Antonio	36	
Indianapolis	31	
New Orleans	25	
Dallas	18	
Columbus	13	
Phoenix	7	

Ideological Versus Regional Salience

Kirkpatrick Sale's Power Shift stirred a great deal of attention in discussing the growth of the sunbelt and the decline of the snowbelt. Sale's contention, simply stated, was that the sunbelt was experiencing growth while the snowbelt or frostbelt was in a state of decline. Watkins and Perry disputed some of Sale's contentions. They claimed that there was poverty in both areas but that the response to the poverty differed dramatically between the two areas. In the north, poverty was addressed through governmental assistance and was a source of fiscal crisis in cities such as New York. In the south, poverty was a source of cheap labor. Poverty, measured by the Bureau of Labor Statistics, was greater in the south; yet the poor of the south were much more likely to be working—for a subsistence wage—and paying taxes, while the northern poor were much more likely to be unemployed.¹⁵ Culture or political ideology may begin to explain this phenomenon. Implicit in Watkins and Perry's analysis is the contention that regional differences may be linked to policies toward the poor.

There is another dynamic at work beside sunshine. Thomas Dye tested the relationship between economic growth and average annual daily temperature. Dye found that the sunbelt phenomenon was grossly exaggerated. Warmth and sunshine in and of themselves were not very good predictors of economic growth.¹⁶

Other studies have singled out different conditions as prerequisites for growth. Robert T. Holt and John E. Turner acknowledged the importance of political conditions.¹⁷ They viewed the attitude of the government as a crucial determinant of economic growth. The present study

focuses upon political ideology and investigates the linkage between political views (measured by votes in Congress) and various socioeconomic measures of growth and general health. As Holt and Turner, and Watkins and Perry, infer, political conditions may be very relevant influences on social and economic conditions. In the present study the socioeconomic health of cities is explored by an investigation of bond ratings and the performance of individual socioeconomic variables.

Bond Ratings, 1981

The economic health of a city is reflected in the bond ratings of the municipality. Ratings are initially determined by investment services such as Moody's or Standard and Poors. After evaluating the prospects of repayment and the risks of default, bonds are given a rating ranging from Aaa (best quality) to C (lowest rated class). While bonds are rated by investment houses, the market eventually determines the worth of the security. If a bond has been rated too low, interest rates will be very attractive to investors wishing to reap a good return on a secure investment. These investors will buy the bond, increasing the demand and making the security sell at a premium. Future issues will be floated at a lower interest rate reflecting this market interest. If, on the other hand, the bond has been rated too high, lack of interest will force the price of the bond down, increasing the rate of interest until it eventually finds buyers. Moody's ratings for municipal bonds are summarized as follows:

- Ass Best quality
- Aa High quality
- A Upper medium grade

- Ba Speculative
- B Lacks characteristics of desirable investment
- Caa Poor standing
- Ca Speculative in a high degree
- C Lowest rated class.

Table 4-2 describes the bond ratings for liberal and conservative cities over a period of twenty years.

The chi-square test was employed to determine whether statistically significant differences existed between the bond ratings of liberal and conservative cities. Table 4-3 lists the latest obtained and expected frequencies of bond rating in liberal and conservative cities.

Since the expected frequencies of cells were less than 10, Yate's correction had to be employed. No statistically significant differences between bond ratings of liberal and conservative cities were found to exist at the .01 or .05 level of confidence. Chi-square value calculations are shown in Appendix B.

The bond rating data indicate that in 1981 investors had more confidence that conservative cities would repay their obligations than they had that liberal cities would do so. The economic health of conservative cities appeared to be sounder in 1981, but statistical differences were not found at the .01 or .05 levels.

Changes in Bond Ratings Over Time

The trend of bond ratings over the past twenty years was also investigated. A statistically significant difference between trends in liberal and conservative cities was discovered at the .05 level of confidence. More of the conservative cities improved ratings between 1961

Table 4-2
Municipal Bond Ratings, 1961 and 1981

City	1981 Rating	1961 Rating
<u>Liberal Cities</u>		
Baltimore	A	A
San Francisco	Aa	Aa
Los Angeles	Aaa	Aa
New York	B	A
Cleveland	Caa	Aa
Memphis	Aa	Aa
Boston	Baa	A
Detroit	Ba	A
Milwaukee	Aa	Aaa
Chicago	A	A
Philadelphia	Baa	A
San Jose	Aa	Aa
<u>Conservative Cities</u>		
Houston	Aaa	A
San Diego	Aa	A
San Antonio	Aa	A
Indianapolis	Aaa	Aaa
New Orleans	A	A
Dallas	Aaa	A
Columbus	Aa	Aa
Phoenix	Aa	A

Source: Municipal Year Book 1981 (Washington, D.C.: International City Management Association, 1981), pp. 12-44; John Moody, Moody's Municipal and Government Manual (London: Moody's Investors Service, Ltd., 1961).

and 1981. Table 4-4 shows the obtained and expected frequencies of changes in bond ratings.

Table 4-3

Bond Ratings, 1981: Speculative and Upper Grade

	A or above	B or below	
Liberal Cities	7 (9)	5 (3)	12
Conservative Cities	8 (6)	0 (2)	8
	15	5	20

Table 4-4

Changes in Bond Ratings: 1961-81

	Improve	Worsen	
Liberal Cities	1 (3.5)	6 (3.5)	12
Conservative Cities	5 (2.5)	0 (2.5)	5
	6	6	12

Five conservative cities improved their bond ratings while no conservative city had a worsening of its rating. One liberal city improved its rating while in six liberal cities the ratings fell. Appendix B computes the chi-square values for the 2 x 2 table described above. We can infer from Table 4-4, at a 95 percent level of confidence, that between 1961 and 1981 conservative cities were more likely to experience improvements in their economic viability, expressed by bond ratings.

This discussion of bond ratings describes the bond market's evaluation of the cities' fortunes. Cities were evaluated in terms of investor confidence in both economic well-being and their ability to repay loans. Individual socioeconomic trends were lost in this analysis. The following discussion investigates specific socioeconomic indicators of economic well-being in liberal and conservative cities.

Socioeconomic Indicators

Specific socioeconomic indicators of cities were investigated. The following indicators were compared between liberal and conservative cities:

1. Percent white population
2. Percent elderly population
3. Percent of population with four years of high school or more education
4. Percent of population below the poverty level
5. Median income
6. Serious crimes per 100,000 people.

These socioeconomic indicators were compared both over time and at one point in time. Data from the 1970 census were the latest available data.

Appendix C presents the performance on these socioeconomic variables of all liberal and conservative cities. In Appendix D the standard error of estimate is computed, a figure that is necessary for the calculation of t scores used in determining significant differences between means. Table 4-5 summarizes the differences between liberal and conservative cities for each of the variables listed above. The data do not support the contention that in 1970 liberal cities were in a worse condition than conservative cities. No statistically significant difference was found between liberal and conservative cities for any other variable.

Upon careful investigation of the data, however, it was discovered that one city in each group was an anomaly. San Jose (in the liberal group) and New Orleans (in the conservative group) exhibited behavior which was different from their group. In general, liberal cities experienced characteristics of decline, but San Jose experienced robust growth. In terms of population change, the percent white population, percent elderly population, change in percent elderly population, change in total employment, education, poverty, value added by manufacturing, and retail sales, San Jose's behavior was closer to the behavior of conservative cities than to the behavior of liberal cities.

A similar situation existed with respect to New Orleans. While most conservative cities experienced characteristics of growth, New Orleans' data were characteristic of decline. New Orleans was an outlier of the conservative group in terms of population growth, percent white population, change in white population, elderly population, change in elderly population, change in total employment, change in

Table 4-5
Differences in Socioeconomic Variables Between Liberal and Conservative Cities

	White Population 1970	Elderly Population 1970	Four Years High School or Higher Education 1970	Below Poverty Level 1970	Median Income 1969	Serious Crime/ 1000K 1970
Mean of Liberal Cities	70.8%	10.8%	48.8%	11.1%	\$9,788	8,469
Mean of Conser- vative Cities	80.0	8.5	53.4	11.8	9,464	8,709
Significant Difference	No	Yes (.05)	No	No	No	No
t Score	-1.5	2.6	-1.02	-.4	.7	-.2

Source: U.S. Department of Commerce, County and City Data Book 1977 (Washington, D.C.: U.S. Government Printing Office, 1978). U.S. Department of Commerce, County and City Data Book 1962 (Washington, D.C.: U.S. Government Printing Office, 1963).

value added by manufacturing, change in retail sales, change in median family income, education, and poverty.

It has always been the case that unexpected findings may be of great value. Such is the case with respect to San Jose and New Orleans. While San Jose was determined to be a liberal city, based upon its voting record, it has experienced tremendous economic growth. New Orleans' voting record firmly established it within the conservative group; yet the city had not experienced any of the growth associated with conservative cities. An explanation of why these two cities are anomalies is beyond the scope of this study. This study only identifies the situation and serves as a source of future research.

Larry Mayer of the University of Pennsylvania stated in his lectures at the Inter-University Consortium of Political Science Research (ICPSR), in 1978, that in order to get the least distorted picture from data, it is necessary to omit extreme outliers. By dropping these extreme outliers, a better picture of the swarm, or majority, of the data is obtained. This was done in regard to the extreme outliers San Jose and New Orleans. Table 4-6 compares variables after the two outliers (San Jose and New Orleans) were omitted.

When the cities of San Jose and New Orleans were omitted from analysis, greater differences between the liberal and conservative cities were discovered. In contrast to the previous analysis, when only a difference between the elderly populations of the liberal and conservative cities was discovered at the .05 level of confidence, differences were discovered at the .01 level of confidence for both the proportion of the white population and the proportion of the elderly population.

Table 4-6
Differences in Socioeconomic Variables Between Liberal and Conservative Cities
(New Orleans and San Jose Omitted)

	White Population 1970	Elderly Population 1970	Four Years High School or Higher Education 1970	Below Poverty Level 1970	Median Income 1969	Serious Crime/ 1000K 1970
Mean of Liberal Cities	68.7%	11.2%	47.3%	11.6%	\$9,662	8,518
Mean of Conser- vative Cities	83.6	8.2	55.0	10.4	9,753	8,938
Significant Difference	Yes (.01)	Yes (.01)	No	No	No	No
t Score	-2.98	5.0	-1.8	.9	-.2	-.3

Even greater population differences were discovered when changes in the socioeconomic conditions of the cities were investigated. Growth in the following variables were delineated:

1. Size of city
2. Minority composition of city
3. Elderly composition of city
4. Median income
5. Total employment
6. Value added by manufacturing
7. Total retail sales.

These variables describe changes in both demographic and economic conditions. It is assumed that increases in the proportion of minority elderly populations, as well as reductions in the absolute size of cities, are inimical to a city's "health," and that increases in median income, total employment, value added by manufacturing, and retail sales are positive indicators of a city's "health."

Table 4-7 describes changes in socioeconomic measures of municipal health over time when all cities were included. Change in white population was the only category where statistically significant differences were found to exist between the two groups of cities. This situation changed considerably, however, when San Jose and New Orleans were dropped from the analysis. Table 4-8 describes the relationships when these cities were excluded from the analysis.

Excluding the two cities from analysis considerably changed the picture. Six of the seven variables shown in Table 4-8 were significantly different. These differences occurred for two reasons. First,

Table 4-7
Differences in Growth of Socioeconomic Variables Between Liberal and Conservative Cities, 1950-70

	Socioeconomic Variables						
	Total Population	White Population	Elderly Population	Total Employment	Median Income	Value Added by Manufacturing	Retail Sales
Mean of Liberal Cities	+41.9%	-17.9%	+35.1%	+29.0%	+178.3%	+110.3%	+87.2%
Mean of Conserva- tive Cities	+134.5	-7.3	+19.3	+188.0	+187.4	+412.3	+206.4
Significant Difference	No	Yes (.05)	No	No	No	No	No
t Score	-1.3	-2.6	1.1	1.2	-.1	-1.8	-.7

Source: U.S. Department of Commerce, County and City Data Book 1977 (Washington, D.C.: U.S. Govern-
ment Printing Office, 1978); U.S. Department of Commerce, County and City Data Book 1962 (Washington, D.C.:
U.S. Government Printing Office, 1963).

Table 4-8
Differences in Growth of Socioeconomic Variables Between Liberal and Conservative Cities,
1950-70 (New Orleans and San Jose Omitted)

	Socioeconomic Variables						
	Total Population	White Population	Elderly Population	Total Employment	Median Income	Value Added by Manufacturing	Retail Sales
Mean of Liberal Cities	-2.3%	-19.2%	+42.4%	-1.0%	+176.2%	+82.3%	+59.8%
Mean of Conserva- tive Cities	+154.0	-5.6	+14.8	+138.2	+190.0	+450.8	+224.3
Significant Difference	Yes (.01)	Yes (.01)	Yes (.05)	Yes (.05)	No	Yes (.01)	Yes (.01)
t Score	-3.3	-3.5	2.3	-2.7	-1.7	-11.4	-4.6

omitting the two outlying cities increased the difference between the means of liberal and conservative cities. Each of the anomolous cities had the effect of reducing differences between the two groups. Second, the variance and standard error of difference was reduced by omitting these cities from analysis. This had the effect of increasing t scores and the likelihood of statistically significant differences.

Summary

In this chapter the development and historical importance of the concept of ideology were discussed. Ideology was not dealt with exclusively as a theoretical concept. It was operationalized, with municipalities being categorized as either liberal or conservative. Of the cities under investigation, twelve were identified as liberal and eight were categorized as conservative.

Liberal and conservative municipalities were compared on a number of measures. Bond ratings—said to provide an indication of the economic health of cities—of liberal and conservative cities did not differ significantly in 1981. If the sample had contained a larger number of cities, however, bond ratings of conservative cities would have been statistically higher than those of the liberal cities. Greater differences existed in terms of changes in bond ratings over a twenty-year period. During this time, conservative cities were statistically more likely to improve their bond ratings, while the bond ratings in liberal cities were likely to worsen.

Bond ratings provided an indication of gross evaluations of municipal health. Socioeconomic measures delineated in greater detail the

actual changes that occurred in liberal and conservative cities. Statistically speaking, significant differences were found between liberal and conservative cities. When socioeconomic variables were compared at one point in time, it was discovered that the liberal cities had a significantly higher proportion of elderly people than did the conservative cities. In terms of change, it was discovered that the white population in the liberal cities declined at a faster pace than it did in the conservative cities. Both of these measures indicate that liberal cities may be in a greater state of decline.

Differences in the other areas, however, were not discovered. Upon closer investigation, it appeared that two cities did not conform with the others. San Jose was liberal politically but in terms of demographics and economics was congruent with the most vibrant of the conservative cities. Similarly, New Orleans was conservative politically but in terms of socioeconomic variables was not unlike the liberal cities. This, in and of itself, is an interesting finding. Future research is needed before any conclusions can be reached explaining this situation.

Because of the distorting effects of these cities, they were excluded in the comparison of socioeconomic variables made between the two groups of cities. When these two cities were omitted, it was discovered that greater differences existed between the liberal and conservative cities. Differences between liberal and conservative cities, when outliers were omitted, are summarized as follows:

Liberal Cities

Lower proportion of whites
to total population

Higher proportion of elderly
to total population

Slower population growth

Higher declines in white
composition of city

Greater increase in elderly
population as a percentage
of population

Lower growth in total
employment

Lower growth in value
added by manufacturing

Lower growth in retail
sales

Conservative Cities

Higher proportion of whites
to total population

Lower proportion of elderly
to total population

Faster population growth

Lower declines in white
composition of city

Smaller increase in elderly
population as a percentage
of population

Higher growth in total
employment

Higher growth in value
added by manufacturing

Higher growth in retail
sales

If the two cities were not omitted, differences would exist only in the proportion of the elderly in the total population and the change in the ethnic composition (proportion of whites) of the total population. When the two cities are omitted, it is evident that distinctions exist between liberal and conservative cities on a wide number of socioeconomic variables.

Notes

¹H. M. Drucker, The Political Uses of Ideology (New York: Harper & Row Publishers, Inc., 1974), p. 3.

²Ibid., p. 13.

³Ibid., p. 17

⁴Ibid., p. 18.

⁵Ibid.

⁶Ibid.

⁷Ibid.

⁸Ibid., p. 21.

⁹Leon Baradat, Political Ideologies (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1979), p. 156.

¹⁰Ibid., p. 147.

¹¹Ibid.

¹²Washington, D.C. is in the top twenty but is excluded from this analysis because its representative may serve on committees and can speak on the House floor but may not vote. Therefore, his ADA score cannot be obtained. The 21st largest city, New Orleans was substituted in Washington's place.

¹³"Americans for Democratic Action," Encyclopedia Americana, Vol. 1 (Danbury, Conn.: Grolier Inc., 1980), p. 736.

¹⁴Clifton Brock, Americans for Democratic Action: Its Role in National Politics (Washington, D.C.: Public Affairs Press, 1962), p. 18.

¹⁵David Perry and Ira Sharkansky, Urban Politics and Public Policy (New York: W. W. Wilson Company, 1979), p. 74.

¹⁶Thomas Dye, "Taxing Spending and Economic Growth in American States," Journal of Politics (November 1980), p. 1098.

¹⁷Ibid.

CHAPTER 5 NEXUS BETWEEN IDEOLOGY AND BUDGET VARIABLES

Introduction

The question of the effect of political ideology on public policy is a matter of great concern, which is particularly relevant today due to today's apparent state of ideological transition. The values and philosophies of the Reagan administration differ greatly from the values and philosophies of the New Deal coalition. This chapter explores the effect that ideology and the new conservatism may have had on budgetary policies.

The values and ideologies of the Reagan administration appear to be in line with the philosophies expressed by the Republican party before the Great Depression. This Republican doctrine encourages belief in economic individualism, and that rags can be converted into riches by hard work. These beliefs provided capitalism with its underpinning for almost a century. During this time, the notion that the federal government should assume responsibility for poor relief seemed blasphemous.

The doctrine of nonfederal intervention in poor relief was articulated by President Franklin Pierce back in 1854,¹ and would be observed until the administration of Franklin Delano Roosevelt. Efforts to obtain federal relief for the unemployed during the depressions of 1892-93, 1914, and 1921 failed.²

Franklin Delano Roosevelt was able to forge a new coalition which differed ideologically from the preceding administrations. Roosevelt was able to unite the lower-middle classes, ethnic groups, and industrial workers of the urban East with the farmers of the west and south. This coalition defeated the entrenched powers and maintained control of the White House for a period of twenty uninterrupted years.

Policies of the Roosevelt administration differed greatly from the policies of his predecessor, Herbert Hoover, who attempted to assist bankers, the railroads, and farmers in the early days of the Depression. These groups were said to have made America run before and would make America run again. In contrast to Hoover's policy of stimulating entrepreneurial interests, Roosevelt advocated federal public works, unemployment insurance, and regularization of production as a cure to the Depression.³ His programs were intended to build from the bottom up in contrast to the philosophy of building from the top down, or as in today's jargon, allow the wealth to trickle down.

Philosophies of New Deal Democrats have come under attack in recent years. Popular conservative writers such as Milton Friedman and George Gilder have criticized many of the liberal programs that grew out of the Roosevelt period. The rise of the New Right and the election of the conservative Reagan provide evidence that disenchantment exists with liberal policies of the past. Ronald Reagan repeatedly distanced himself from the policies of the "liberal" Democrats. In a televised address to the nation, Reagan declared that Democrats wish "more and more spending" while he believed that "we should have less spending, less taxes, and more prosperity."⁴

While this statement is a simplification, it does lay out some of the deep-seated philosophical differences between liberal and conservative ideologies. Differences between ideologies were also delineated in Reagan's inaugural address in which he declared that it was time to check and reverse the growth of government which showed signs of having grown beyond the consent of the governed.⁵ Reagan also applauded the energy and individual genius of individual free men. He promised to restore the balance between various levels of government, revitalize industry, and lighten punitive tax burdens.

Reagan's message, that government is not the solution to our problem but the problem itself, flew in the face of liberals. A totally new posture and orientation based upon conservative philosophies assumed the mantle of power in Washington. This chapter explores the effects of both conservative and liberal ideology on budgetary policy at the local level. Specific budget patterns are identified and explored from the perspective of political ideology. This can serve as a tool of policy analysis, assisting the prediction of policy behavior based upon ideology.

In this chapter budgetary behavior will be explored under liberal and conservative philosophies. Whether or not differences exist between the two political perspectives is of interest. Before municipal budgeting policy can be explored, however, some methodological problems must be addressed.

Problems of Comparability

A myriad of overlapping local jurisdictions and fuzzy areas of responsibility have created a situation where a great deal of comparative urban analysis just does not exist. In 1962, there were over 91,000 local

governments, including 3,043 counties; 17,997 municipalities; 34,678 school districts; and approximately 36,000 townships, villages, and assorted special districts.⁶ The different types of government varied in service responsibility and opportunity to tax. In New York City, for example, public welfare and education spending are assumed by the city itself. In other cities these functions are assumed by other jurisdictions.

Astrid E. Merget stated,

Expenditure patterns across cities are especially tricky to interpret. Cities vary greatly in the scope of service functions they render. In part, a different service functions reflect a critical variable in municipal finance: state assignments, constitutions, and statutes call upon cities to perform various kinds of services. Even within a single state, responsibilities across cities may be incomparable. At times, overlapping country or special district governments and, in fact, even the state itself may directly provide some services to residents of a jurisdiction, where in other municipalities they may be the exclusive responsibility of a city government. Comparisons over time and across cities should examine only comparable functions.⁷

Enumeration of the problems discussed by Sharkansky and Merget, however, should not preclude research in the area of comparative fiscal analysis. Research decisions rules will be made where several problems of noncomparability exist. Comparability will be achieved through these adjustments.

In order to compare budget variables, they must be made comparable between cities. Specific variables are contaminated due to the fact that services may be assumed by one city and not assumed by others. For example, one would expect per capita general expenditures to be higher in a city that assumes a large number of services than in a city such as Phoenix where the city only provides minimal levels of services. The

effects of noncomparable services will be corrected for through application of the following decision rules.

Decision Rules

General Expenditures

In order to make general expenditures comparable, expenditures for noncomparable functions such as education, public welfare, health and hospitals, and housing were subtracted from general expenditures. Differences in the assumption of these services make comparison of general expenditures between cities impossible if the general expenditures are not adjusted.

Revenues

Intergovernmental revenue. Intergovernmental revenue earmarked for noncomparable social functions such as education, public welfare, health and hospitals, and housing can be identified. In this study, aid earmarked for these services is subtracted from total aid received by state and federal sources. Intergovernmental revenue then becomes comparable between cities that assume different levels of social services.

Charges and miscellaneous revenue. Charges obtained from noncomparable services such as housing, hospitals, and education are ascertainable. These figures are subtracted from the total revenues obtained from charges and miscellaneous revenue in order to adjust the data.

Long-term debt. Debt assumed for functions such as education and hospitals can be identified and is subtracted from the total long-term debt assumed by municipalities. In this manner the effect of noncomparable functions is deleted.

Total taxes. Total taxes are adjusted by (1) calculating costs of noncomparable services such as education, public welfare, health and hospital, and housing functions; (2) subtracting intergovernmental revenue earmarked for these services from the total costs of these services; and (3) assuming that after intergovernmental revenues have been accounted for, the costs of noncomparable services are borne by taxes and charges and miscellaneous revenue. The proportion of these costs attributed to taxes (i.e., the proportion of taxes plus charges attributed to taxes) is computed and the resulting ratio is multiplied by the costs for the noncomparable services, which is subtracted from total taxes.

General revenues. Intergovernmental revenue, charges and miscellaneous revenue, and total taxes are the components of general revenues. Decision rules explaining how they are to be adjusted for noncomparable services have already been delineated. General revenue can be adjusted by summing these three components.

These decision rules will permit comparability between the revenue and expenditure categories mentioned above. Adjustments are necessary since a wide diversity in numbers of services assumed by the twenty largest cities exists. Appendix E lists the cities under investigation and the types of services that are assumed by each. Per capita revenues and expenditures in liberal cities will now be compared with the per capita revenues and expenditures in conservative cities.

Comparison of per Capitized Budget Variables by Ideology

Per capitized revenue and expenditure variables are compared by political ideology. If political views are transferable into budget

activity, it would be expected that per capita general expenditures and per capita taxes would be higher in liberal cities than in conservative cities even after adjustments. It is assumed that liberal cities are less resistant to large-scope government than conservative cities. Appendix F lists per capita revenues and expenditures for all cities. General expenditures, intergovernmental revenue, taxes, debt, and general revenues have been adjusted in accordance with the decision rules. Only expenditures assumed by all cities are considered. Table 5-1 lists the mean adjusted revenues of liberal and conservative cities; t scores and significance are also listed.

It is important to remember that Table 5-1 reflects adjusted per capitized revenues. For example, if adjustments were not made for non-comparable services, per capita intergovernmental revenue in New York would amount to \$1,956 instead of the \$341 listed in Appendix C. After adjustments were made, no differences were found in per capitized mean revenues for the following categories: charges and miscellaneous revenue, taxes, and debt. Differences were found in regard to general revenues. This difference can be directly traced to intergovernmental revenues. Even after adjustments for noncomparable services were made, total intergovernmental revenues and federal intergovernmental revenues differed between liberal and conservative cities at the .05 level of confidence. Even greater differences were discovered when state intergovernmental aid was explored. A far greater percentage of the total aid given to liberal cities was contributed by states. States with conservative cities contributed a far lower proportion of intergovernmental aid. This conclusion was supported at the .01 level of confidence.

Table 5-1
Per Capita Revenues in Liberal and Conservative Cities, FY1978-79

	Intergovernmental Revenue			Charges and			Debt
	Total	Federal	State	Percent State to Total Aid	Miscel- laneous Revenue	Taxes	
Liberal Cities	\$293	\$125	\$168	55%	\$129	\$174	\$529
Conservative Cities	158	64	50	26	99	147	605
Significant Difference	Yes (.05)	Yes (.05)	Yes (.01)	Yes (.01)	No	No	No
t Score	2.65	2.35	2.95	3.22	.91	.77	-6

Source: U.S. Department of Commerce, City Government Finances 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980).

A number of explanations can be offered as to why liberal cities secured higher levels of per capita intergovernmental revenue, even after adjustments for noncomparable services were made. The level of professionalism of a municipality may explain why some cities are able to attract large amounts of outside revenue and others are not. Grantsmanship has become very technical and, as opposed to revenue sharing, the receipt of a grant is by no means automatic. Cities must hire staff and decide to pursue aggressively the writing of grants in order to qualify for payments. The decision to hire a professional staff and engage in the active pursuit of state and federal money may be a function of ideology and politics. Conservative cities may be reluctant to accept federal aid if there is a matching requirement and if the influence of the federal government in local affairs would increase. Deil Wright stated that while it may be politically and economically unwise to turn down federal aid, governors are not unaware of restraints placed upon them by categorical grants.⁸

In the recent past, liberal cities were more amenable to the objectives of the federal government. We can assume that they were not adverse to tapping into the federal treasury. Liberal cities also often had great political power. A city such as Boston would have its interests looked after by leaders of Congress such as Edward Kennedy and Tip O'Neil.

Table 5-2 compares expenditures of liberal and conservative cities. Categories of expenditures such as education and public welfare have been omitted from the analysis. Only commonly assumed categories of expenditures will be investigated in this table.

Table 5-2 compares similar functions in liberal and conservative cities. General expenditures in liberal cities were significantly higher than expenditures in conservative cities, even after adjustments were made for dissimilar services. In terms of individual expenditure categories, two overhead expenditures (financial administration and general control) were significantly higher (at the .05 level) in liberal cities. Per capita police expenditures were also significantly higher (at the .01 level of confidence) in liberal cities. This fact may seem somewhat strange considering the popular perception of conservative cities being associated with large and powerful police forces.

The finding of higher police expenditures in liberal cities may be partially explained by the higher costs in liberal cities for all expenditures. Liberal cities also tend to assume greater numbers of social welfare services than conservative cities. This may influence the perception of lower emphasis on police expenditures. For example, New York City spends more per capita for police expenditures than any of the conservative cities. Police expenditures in New York, however, are minor compared to the enormous city expenditures for education and public welfare.

The distribution of expenditure categories is also delineated in Table 5-2. The relative distribution of funds can be compared between liberal and conservative cities for these expenditures. When only these similar expenditures are compared, it is discovered that liberal cities expend a greater proportion of their funds for police protection than conservative cities (20% compared to 18%). Conservative cities expend higher proportions of their funds for highways (12%

Table 5-2

Per Capita Expenditures in Liberal and Conservative Cities, FY1978-79

	Gen. Exp.	Pol.	Fire	San.	Hwy.	Sew.	Lib.	P.&R.	F.A.	G.C.	G.P.B.	Other
Liberal Cities	\$551	\$94	\$44	\$25	\$35	\$45	\$11	\$33	\$14	\$28	\$10	\$128
Conservative Cities	345	59	32	20	40	38	7	37	9	13	8	67
Significant Difference	Yes (.05)	Yes (.01)	No	No	No	No	No	No	Yes (.05)	Yes (.05)	No	No
t Score	2.6	3.2	2.0	1.0	-.8	.5	2.0	-.4	2.5	2.5	1.0	+2.0
Distribution in Liberal Cities		20%	10%	5%	8%	10%	2%	7%	3%	6%	2%	27%
Distribution in Conservative Cities		18	10	6	12	12	2	11	3	4	2	20

Source: U.S. Department of Commerce, City Government Finances 1978-79. (Washington, D.C.: U.S. Government Printing Office, 1980).

Key: Gen. Exp. = general expenses
 Pol. = police
 San. = sanitation
 Hwy. = highway
 Sew. = sewage
 Lib. = library
 P.&R. = parks and recreation
 F.A. = financial administration
 G.C. = general control
 G.P.B. = general public buildings

compared to 8%), parks and recreation (11% compared to 7%), and sewage (12% compared to 10%). Liberal cities spend higher proportions for general control which includes municipal court costs.

This analysis presents a snapshot of things at one point in time. Budgetary trends and changes in budgetary behavior are also of interest in this study. We will investigate trends in budgeting over the past twenty years by measuring changes in the allocation or relative growth of budget variables.

Comparison of Changes in
Budget Variables by Ideology (20 Years)

Instead of analyzing per capita variables at one point in time, the growth of per capita budget variables is explored. Growth of per capita budget variables describes the change that has occurred in budget variables over time, and is calculated over a twenty-year period by use of the following formula:

$$\left\{ \begin{array}{l} \text{Per capita cost or income FY78-79} \\ - \text{Per capita cost or income FY59-60} \end{array} \right\}$$

Per capita cost or income FY59-60

Appendix C lists per capita growth rates in liberal and conservative cities for budget variables. Table 5-3 summarizes the mean percent increases of revenues in liberal and conservative cities; t scores and difference in growth of revenue categories are also explored. Appendix G lists the per capita revenue sources in fiscal year 1978-79 and fiscal year 1959-60. Per capita totals have been adjusted for noncomparable

Table 5-3
Growth of per Capita Revenues in Liberal and Conservative Cities, 1959 to FY1978-79

	Intergovernmental Revenue	Charges and Miscel- laneous Revenue	Taxes	General Revenue	Debt
Liberal Cities	1,135%	546%	280%	453%	100%
Conservative Cities	2,407	540	272	473	236
Significant Difference	No	No	No	No	Yes (.01)
t Score	-1.9	.04	.06	-1.8	-2.96

Source: U.S. Department of Commerce, City Government Finances, 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980); U.S. Department of Commerce, City Government Finance, 1959-60 (Washington, D.C.: Government Printing Office, 1961).

services. Table 5-3 delineates the average per capita growth of revenues in liberal and conservative cities between fiscal years 1959 and 1978-79.

It is important to remember that all revenue figures have been adjusted to account for noncomparable services. Great differences in the growth rates of revenues after these adjustments were made were not discovered. Debt was the only area where a statistically significant difference was recorded. This can be explained by two factors. In many liberal cities the major portion of local debt is accrued in order to fund noncomparable social welfare services such as education and housing and urban renewal. For example, in New York City for fiscal year 1978-79, 55 percent of the city's general debt was attributed to education, hospitals, and housing. This debt was subtracted in order to provide comparability with other cities. Another factor which may account for the fact that debt grew at a faster pace in conservative cities is solvency. Financially strapped cities such as New York no doubt would have liked to borrow indefinitely in order to meet their obligations. New York City's inability to sell its bonds, however, prevented it from successfully implementing this strategy. Between fiscal year 1975-76 and fiscal year 1978-79, gross debt outstanding in New York City actually declined by 26 percent. This occurred after 1975 when the city tried to improve its financial posture. In contrast to New York's situation, gross debt outstanding in a fiscally untroubled city such as Dallas grew at a rate of 7 percent during the same time period.

Growth rates of expenditures were also explored. Table 5-4 describes the growth rate of per capita expenditures over a period of twenty years. Again, only expenditures commonly assumed by all cities were investigated. Statistically significant differences were not discovered in the growth rates of the majority of expenditure variables. It was discovered that, while not statistically significant, the growth rates of conservative cities outpaced the growth rates of liberal cities in most areas. Table 5-2 shows that per capita expenditures were generally higher in liberal cities than in conservative ones. The faster growth rates in conservative cities over time should reduce the gap between per capita expenditures in liberal and conservative cities, producing a convergence in rate of spending.

Different growth rates were discovered in two minor categories of expenditures. Library allocations grew at a faster pace in liberal cities, while parks and recreation expenditures grew at a faster pace in conservative cities. In terms of amenity services, conservative cities appear to provide greater funding for parks and recreation than do liberal cities.

Per capita expenditures and the growth of per capita expenditures over time between liberal and conservative cities have been explored. How cities decide to allocate resources and the budget strategies they utilize is another subject of interest and is explored below.

Municipal Budgeting Strategies

Traditionally, incrementalism has been the dominant mode of budgeting. Incrementalism has been defined as small, or marginal, changes from the status quo. These small changes are either requested by the

agency seeking funds or granted by the legislature. The literature is replete with verification of incremental budgetary behavior.⁹ Recently a number of writers have expressed criticism of blind incremental or decremental (in times of budget cutbacks) approaches to budgeting. Peter Natchez and Irvin Bupp stress the competitive aspects of budgeting in contrast to the incremental approach:

This competition among alternative programs seems to have been all but lost in the work of Davis, Dempster, and Wildavsky. These scholars have argued that agency budgets are produced by relatively straightforward incremental strategies and hence are not often an especially interesting source of conflict, not to mention change and innovation.¹⁰

Charles Levine claimed that "sharing the pain" of budget cuts, or "across-the-board" strategies, is not responsible management,¹¹ because every agency does not contribute equally to the goals, purposes, and basic functions of the government. More responsible leadership would identify priorities and allocate (target) funds based upon these priorities. Levine further maintained that the allocation decisions usually involved tradeoffs between equity and efficiency.¹² Equity refers to an incremental strategy, efficiency to a targeting strategy. Others such as Lewis and Logalbo stated that across-the-board strategies do not constitute a reasonable management response unless present budgets reflect the community's desired mix of services.¹³ Such tactics do not reward and encourage efficiency. Instead, they produce budgetary inflexibility reproducing past inefficiencies. Arthur Okun convincingly argued that the pursuit of efficiency necessarily creates inequality. Society is therefore faced with a tradeoff between efficiency and equality.¹⁴

Some cities will give priority to equitable distributions of funds, while other cities will be more concerned with efficient allocations. We assume that cities placing high priority on the equity value will be characterized by growth of individual expenditures approximating the growth of all variables. Cities placing priority on the value of efficiency will be more likely to have greater disparity in their growth patterns. Cities giving priority to the value of equity are said to be implementing an across-the-board strategy. Cities prioritizing efficiency are said to implement a targeted strategy. In a targeted strategy definite winners and losers emerge in the yearly battle over funds, in contrast to the fair share distribution expressed in the across-the-board strategy.

Allocation variance, or variance between the growth of expenditures, describes the type of budget strategy implemented. A high variance indicates that large differences exist between the growth rates of expenditures (definite winners and losers emerging). This reflects a targeting strategy, while a low variance reflects an across-the-board strategy. Variance is computed by subtracting the growth of similar expenditures, such as police, fire, sanitation, highways, sewage, and parks and recreation, and the sum of all other expenditures, from general expenditures, squaring the differences, and summing the squared differences.

Table 5-5 compares variance in liberal and conservative cities. The mean variance of liberal and conservative cities is computed and compared on the basis of a t test. Statistically significant differences between the variance of liberal and conservative cities were not discovered. The range of variance, however, was great, with certain cities appearing to

Table 5-5—(continued)

City	General Expendi- tures	Police	Fire	Sanita- tion	Highway	Sewage	Parks and Recrea- tion	All Other	Variance
<u>Conservative Cities</u>									
Houston	31%	17%	15%	22%	55%	44%	52%	32%	1,720
San Diego	-1	15	16	6	7	-19	8	-9	1,203
San Antonio	25		12	10	14	23	19	42	1,168
Indianapolis	9	-5	8	10	47	-5	23	7	2,038
New Orleans	16	3	6	-41	6	-22	32	32	5,318
Dallas	29	20	15	38	25	-11	45	43	2,426
Columbus	38	16	12	5	61	9	57	63	4,605
Phoenix	12	11	10	7	29	28	21	5	705
Mean									2,398
Standard Deviation									1,682
Standard Error of Difference									3,515
t Score									.22

Source: U.S. Department of Commerce, City Government Finances 1977-78 (Washington, D.C.: U.S. Government Printing Office, 1979); U.S. Department of Commerce, City Government Finances 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980).

follow an across-the-board strategy and others a targeted strategy. Variance ranged from a low of 205 in Memphis to a high of 15,519 in San Francisco.

Growth of Budget Variables

All budget variables do not grow at identical rates. Some are perceived to be more important and receive additional funding. Others may be seen as a spending category that can be put off until a later date. An example of the latter form of budgeting is capital investment. Many of our nation's older cities are facing problems because of capital disinvestment. U.S. News and World Report stated in 1981 that "faster than money can be found to rebuild them, the buildings and amenities that make U.S. cities livable are falling apart."¹⁵ City officials pressed to meet everyday expenses cut back on capital improvements and later find that they cannot afford to replace deteriorating systems. Many cities can barely afford the cost of repairs to bridges and highways.

No doubt some expenditure categories are being neglected while a few categories have increased in funding. Growth of spending in individual categories was computed and compared. Budgetary winners and losers are identified in this analysis. These calculations are referred to as relative growth of budget variables. Absolute growth or the growth of the variables (simple percentage increase over time) is described in Table 5-6.

Large disparities existed between the growth rates of expenditures. The relative growth of both revenues and expenditures was calculated, which describes growth rates in relation to a fixed value (the growth of general revenues and the growth of general expenditures) (see Table 5-7).

Table 5-6

Absolute Growth of Budget Variables in All Cities, 1959 to FY1978-79

Expenditures	Number of Cities	Percent Increase
Other	18	1,056
Public Welfare	5	904
Health	13	722
General Expenditures	20	437
Police	20	430
Education	5	428
Sewage	20	395
Hospital	8	370
Financial Administration	18	369
General Public Buildings	14	359
General Control	18	339
Fire	20	325
Parks and Recreation	20	310
Library	15	306
Sanitation	20	235
Capital Outlays	20	140
Highways	30	118

Table 5-7

Relative Growth of Budget Variables
in All Cities, 1959 to FY1978-79

Revenues (Adjusted)	Above Average Growth	Below Average Growth
Intergovernmental Revenues	+973	
Charges and Miscellaneous Revenues	+65	
Taxes		-210
Gross Debt Outstanding		-371
Expenditures		
"Other"	+1,069	
Public Welfare	+467	
Health	+285	
Police		-7
Education		-9
Sewage		-42
Hospitals		-67
Financial Administration		-68
General Public Buildings		-78
General Control		-98
Fire		-112
Parks and Recreation		-127
Library		-131
Sanitation		-202
Capital Outlays		-297
Highways		-319

Table 5-7 shows individual revenue and expenditure categories that grew at a faster or slower pace than the growth of general revenue and expenditures. In regard to budget revenues, intergovernmental revenue grew at the fastest pace. The growth of debt and taxes did not keep pace with the growth of all revenue categories. In regard to budget expenditures, social welfare expenditures, such as public welfare and health, grew at a higher than average pace. Other social welfare functions such as education and hospitals grew only slightly below the average growth for all expenditures. The lowest growth was experienced in the infrastructure and amenity functions. Highways, capital outlays, sanitation, libraries, and parks and recreation experienced the lowest rates of growth. Overhead expenditures such as general control, general public buildings, and financial administration experienced growth patterns that fell roughly in the middle of all expenditure categories.

It is interesting to note that expenditures for sewage grew at a faster pace than most other categories. This is consistent with George Peterson's assertion that the 1972 amendments to the Water Pollution Control Act, prescribing secondary treatment standards that localities were supposed to meet by 1977, spurred sewage expenditures.¹⁶ It is not surprising also that, in regard to essential services, growth of police expenditures was the highest, followed by growth in fire expenditures and the growth of sanitation expenditures. Police is recognized by many as the most essential of the three, with sanitation viewed as the least crucial.

Growth of intergovernmental revenue over the years has been well documented. Deil Wright stated,

Intergovernmental revenues demonstrate clearly the ten-year hidden revolution in municipal finances. Actual revenues increased nearly sixfold as federal dollars rose by a multiple of ten and state monies by a multiple of five. . . . Intergovernmental revenue approached 40 percent of total general revenue in 1975, contrasted with 22 percent in 1967.¹⁷

The growth of intergovernmental revenues continued unabated even under the more conservative Nixon and Ford administrations. Congress was successful in providing large amounts of federal aid to cities. Even the more conservative cities became more and more dependent upon intergovernmental transfers. Growth of intergovernmental revenues over the past twenty years in these conservative cities was even greater than the growths experienced by liberal cities.

Difficulties arise when trying to compare services not assumed by all municipalities. Education and public welfare are two such services. Municipal expenditures for these services must be compared to the expenditures made by other jurisdictions for these functions. For example, in order to compare education expenditures between cities, municipal expenditures in cities with dependent school districts must be compared to county expenditures for cities with independent school districts. Table 5-8 compares the growth of spending in cities that assume responsibility for noncompatible functions.

The growth of spending in independent school districts did not differ very much from the growth of spending in dependent school districts. Table 5-8 describes the growth of absolute spending for education. The growth of education spending in the two conservative cities was only slightly higher than the growth of spending in the liberal cities. This higher growth rate was not statistically significant.

Table 5-8

Growth of Spending in Dependent and Independent School Districts

City	Years			
	1966-78	1966-70	1970-74	1974-78
<u>Independent Districts</u>				
Chicago	337%	83%	50%	59%
Cleveland	235	74	30	48
Dallas	285	65	46	60
Detroit	206	37	55	44
Houston	303	61	13	122
Los Angeles	176	30	45	47
Philadelphia	264	143	20	24
Mean	258	70	37	58
Standard Deviation	52			
<u>Dependent Districts</u>				
Baltimore	197	100	6	39
Boston	407	78	58	80
Memphis	124	64	37	51
New York	170	66	50	6
Mean	224	77	38	44
Standard Deviation	125			
Standard Error	87	55	28	38
t Score	.4	1.2	-.03	.5

Source: U.S. Department of Commerce, Statistics of Public Schools, Fall 1965 (Washington, D.C.: U.S. Government Printing Office, 1966); U.S. Department of Commerce, Statistics of Public Elementary and Secondary Day Schools, Fall 1969 (Washington, D.C.: U.S. Government Printing Office, 1970); ibid., for years 1973 and 1977, with publishing dates of 1974 and 1978, respectively; U.S. Department of Commerce, City Government Finances 1965-66 (Washington, D.C.: U.S. Government Printing Office, 1967); ibid., for years 1969-70, 1973-74, and 1977-78, with publishing dates of 1971, 1975, and 1979, respectively.

Growth of per capitized education expenditures was also compared between independent and dependent school districts. Statistically significant differences were not found. Growth of per capita education expenditures were slightly lower in conservative cities.

Differences between the growth of public welfare expenditures in cities where the municipality assumes responsibility and in cities where the responsibility is assumed by the county were also explored. Table 5-9 lists the growth of public welfare spending by county and city jurisdictions. No statistically significant differences were found between the growth of public welfare expenditures. The average growth rate was slightly higher in cities that assumed responsibilities for the payments themselves, but this difference was not significant. Growth rates in the two conservative cities were not significantly different from the rates of growth in liberal cities.

Summary

This chapter has investigated the connection between political ideology and specific budget variables. Problems of overlapping jurisdiction and noncomparable functions have prevented a great deal of comparative budget analysis in the past. These problems will be addressed through implementation of various decision rules which correct for non-comparable municipal functions.

Major differences between liberal and conservative cities were found to exist in regard to per capita intergovernmental aid. Liberal cities received higher per capita totals of intergovernmental aid than conservative cities. The percentage of state intergovernment aid to total

Table 5-9
Growth of Public Welfare Spending
in Cities and Counties

Jurisdiction	Years			
	1966-78	1966-70	1970-74	1974-78
<u>County</u>				
Cuyahoga (Cleveland)	132%	-21%	87%	57%
Franklin (Columbus)	210	-24	69	142
Wayne (Detroit)	301	0	206	32
Los Angeles (Los Angeles)	236	108	24	30
Milwaukee (Milwaukee)	407	89	164	1
San Diego (San Diego)	232	72	23	57
Mean	253	37	96	53
Standard Deviation	93	59	75	48
<u>City</u>				
New York	511	191	59	32
San Francisco	144	101	13	7
Philadelphia	404	29	83	113
Mean	353	107	52	51
Standard Deviation	189	81	36	55
Standard Error of Difference	107	54	52	40
t Score	-.9	-1.29	.84	.05

Sources: U.S. Department of Commerce, Local Government Finances in Selected Metropolitan Areas in 1965-66 (Washington, D.C.: U.S. Government Printing Office, 1967); U.S. Department of Commerce, Local Government Finances in Selected Municipal Areas and Large Cities 1969-70 (Washington, D.C.: U.S. Government Printing Office, 1971); U.S.

Table 5-9—(continued)

Department of Commerce, County Government Finances in 1973-74 (Washington, D.C.: U.S. Government Printing Office, 1975); U.S. Department of Commerce, County Government Finances in 1977-78 (Washington, D.C.: U.S. Government Printing Office, 1979); U.S. Department of Commerce, City Government Finances, 1965-66 (Washington, D.C.: U.S. Government Printing Office, 1966); U.S. Department of Commerce, City Government Finances 1969-70 (Washington, D.C.: U.S. Government Printing Office, 1971); U.S. Department of Commerce, City Government Finances 1973-74 (Washington, D.C.: U.S. Government Printing Office, 1974); U.S. Department of Commerce, City Government Finances 1977-78 (Washington, D.C.: U.S. Government Printing Office, 1979).

municipal revenue was significantly higher in liberal cities. Some differences were also discovered with respect to per capita expenditures. Liberal cities spent significantly more per capita on the categories of police, general control, and financial administration.

Analysis of growth of per capita expenditures revealed some interesting insights. Over the past twenty years gross debt outstanding (debt) actually grew at a faster pace in conservative cities than in liberal cities; the former being in better financial condition, could borrow without difficulty. Some liberal cities such as New York and Cleveland were unable to sell their bonds and borrow. It was also found that, over the past twenty years, liberal cities were more likely to allocate funds to library expenses while conservative cities were more likely to allocate funds to parks and recreation. Growth rates in both of these categories differed statistically by political ideology.

Municipal budget strategies were also investigated. The degree that a municipality adhered to an across-the-board or targeted budget strategy was estimated by computing the amount of variance in the growth of municipal expenditures. It was assumed that municipalities with a high variance pursued a targeted strategy, maximizing the value of efficiency rather than equity. Liberal cities on the average had a higher variation in expenditure growth, but this difference was not statistically significant.

Finally, growth of individual revenues and growth of expenditures were compared. It was discovered that for all cities (liberal and conservative) the growth of social welfare expenditures such as public welfare and health outstripped the growth of all other categories of spending.

Capital outlays and highway expenditures exhibited the slowest growth. This is consistent with the finding of many analysts who describe the decay of the municipal infrastructure and the transfer of funds from capital to expense budgets.

The growth of expenditures for noncomparable services such as education and welfare costs was also explored. It was discovered that growth rates of these expenditures did not differ significantly by jurisdiction. Growth rates were not statistically different when counties assumed responsibility for payments.

This chapter has described the connection between political ideology and the behavior of individual budget variables. It was discovered that some statistically significant budgeting differences existed between liberal and conservative cities. Differences were found to exist in regard to per capital expenditures at one point in time and the growth of per capita expenditures. Differences between cities of contrasting ideologies can be observed in greater detail through case studies. This strategy is employed in Chapters 6 and 7, where budgetary issues in a liberal city and a conservative city are investigated.

Notes

¹Frances Fox Piven and Richard Cloward, Regulating the Poor: The Function of Public Welfare (New York: Random House, 1971), p. 47.

²Ibid.

³Ibid., p. 69.

⁴Ed Magnuson, "The Summit That Failed," Time, May 10, 1982, p. 10.

⁵New York Times, January 21, 1981, p. B1.

⁶Ira Sharkansky, The Politics of Taxing and Spending (New York: The Bobbs-Merrill Co., Inc., 1969), p. 126.

⁷Astrid E. Merget, "The Era of Fiscal Restraint," in The 1980 Municipal Yearbook (Washington, D.C.: International City Management Association, 1980), p. 185.

⁸Deil Wright, Understanding Intergovernmental Relations (North Scituate, Mass.: Duxbury Press, 1978), p. 112.

⁹Richard Fenno, The Power of the Purse (Boston: Little, Brown, 1966), pp. 267, 354, 356; Ira Sharkansky, "Agency Requests Gubernatorial Support and Budget Success in State Legislatures," American Political Science Review, 62 (December 1968), 1223; John Crecine, Governmental Problem Solving (Chicago: Rand McNally, 1969), pp. 206-208; O. A. Davis, M. A. H. Dempster, and A. Wildavsky, "A Theory of the Budgetary Process," American Political Science Review, 60 (September 1966), 530-531.

¹⁰Peter Natchez and Irvin Bupp, "Policy and Priority in the Budgetary Process," American Political Science Review, 67 (September 1973), 954.

¹¹Charles Levine, "More on Cutback Management: Hard Questions for Hard Times," in Charles Levine, ed., Managing Fiscal Stress (Chatham, N.J.: Chatham House Publishers, 1980), p. 311.

¹²Charles Levine, "Organizational Decline and Cutback Management," Public Administration Review (July/August 1978), 320.

¹³Carol Lewis and Anthony Logalbo, "Cutback Principles and Practices: A Checklist for Managers," Public Administration Review (March/April 1980), 186.

¹⁴Arthur Okin, Equity and Efficiency (Washington, D.C.: The Brookings Institute, 1975), p. 1.

¹⁵U.S. News and World Report, May 18, 1981, p. 82.

¹⁶George Peterson, "Capital Spending and Capital Obsolescence: The Outlook for Cities," in Roy Bahl, ed., The Fiscal Outlook for Cities (Syracuse, N.Y.: Syracuse University Press, 1978), p. 71.

¹⁷Wright, 76.

CHAPTER 6 CASE STUDY OF NEW YORK CITY

New York City has long been associated with big spending and profligate liberal social programs. The fiscal crisis of 1975 reinforced this image. New York City was said to have been living beyond its means for many years, with the fiscal crisis finally grinding its finances into line with the finances of other cities. New York City was chosen for in-depth analysis because of its history of social consciousness dating to the early 1800s and its association with liberal values. As a port of entry for immigrants, the city has always been aware of the social problems that exist in any large center. Social legislation, and the liberal ideology supporting this legislation, has a long history in New York. This history is reviewed below.

The fiscal crisis of 1975 drew national as well as international attention. It can be argued that the crisis arose from two factors: the city's attempts to do too much and the recession of 1974-76. Both of these factors led to the immediate cash-flow problems which have been categorized as the fiscal crisis. New York's fiscal crisis is investigated in this chapter.

History of Social Consciousness in New York City

In New York City a tradition of service to the community dates back at least to 1812.¹ New York as a port of entry for immigrants was a focal point of poverty, wretchedness, and injustice. New York's

struggle against poverty and urban blight did not begin with Lyndon Johnson's Great Society. The city's concern with social legislation was in evidence by the late nineteenth century. Jacob Riis, part of the reform movement at this time, was active in the Children's Aid Society, which conducted a continuous battle against the tenements and slums of the city. Riis drew attention to the plight of neglected and abandoned children and applauded efforts of agencies that attempted to ease the burden of the poor. The Society for the Prevention of Cruelty to Children was one such agency.² The Gilder Commission was another example of concern for the plight of the underprivileged.

As early as 1894 the Gilder Commission began work to outlaw the old rear tenements. The results of this work was the Tenement Housing Law of 1895. By 1901 a new Tenement House Law was passed that provided for light and ventilation in all rooms. In addition, the new tenement law specified that no more than 70 percent of a lot be occupied by a structure; buildings were limited to one-half times the width of the street and no room of less than 70 square feet was permitted. Finally, stairs and hallways were to be fireproofed in buildings of five or more stories.³

Riis felt that the greed of capital had brought about the wretched conditions which he described. He believed that the upper classes could no longer choose to ignore the plight of the poor. In 1890 he wrote:

Long ago it was said that one half of the world does not know how the other half lives. That was true then. It did not know because it did not care. The half that was on top cared little for the struggles and less for the fate of those who were underneath, so long as it was able to hold them there and keep its own seat. There came a time when the discomfort and crowding below were so great, and the consequent upheavals so violent, that it was no longer an easy thing to do, and then the upper half fell to inquiring what was the matter.⁴

Riis attributed much of the social consciousness of New York to necessity arising out of the potential for this violent class conflict. In the 1930s private charity first accepted the challenge of providing jobs to the unemployed of New York. Two organizations, the Association for Improving the Condition of the Poor and the Charity Organization Society, created a committee to raise funds in order to hire the unemployed. In 1931 another committee, headed by the chairman of Bankers Trust Company, also provided work for about 26,000 people. A second committee, headed by the president of Manufacturers Trust Company, hired about 32,000 people in 1931.⁵

During the depression, the mayor of New York, Fiorello La Guardia worked closely with the Roosevelt administration. During its four months of existence in 1934, the Civil Works Administration, a federal agency, spent over \$50 million in New York City.⁶ The Civil Works Administration, or CWA, however, was liquidated by the end of March 1934. In 1935 the Roosevelt administration filled the void created by the dissolution of CWA with a new jobs program. The Emergency Relief Appropriations Bill provided the funds to hire eventually 3,000,000 Americans, 200,000 of them New Yorkers.⁷

Budget Trends in New York City

To many observers it might seem incongruous that a city with the fabulous wealth of New York could one day face bankruptcy. This, however, did occur in 1975. How did this come about? Revenue and expenditure patterns since 1959 will be investigated in an effort to answer this question.

New York City had a reputation for high municipal spending long before the fiscal crisis. Roy Bahl, Alan Campbell, and David Greytak compared New York's per capita expenditures in 1971 with the average per capita expenditures of the ten largest cities in the nation.⁸ They found that per capita expenditures in New York were consistently higher than the ten-city average.⁹ (See Table 6-1.)

Table 6-1
Per Capita Expenditures, 1971

Expenditure Category	New York	Ten-City Average	New York to Average Index
Total Expenditures	\$1,207	\$685	176%
Interest on Debt	31	19	163
Retirement	78	42	186
Police ^a	65	57	114
Fire ^a	28	24	117
Sanitation	42	34	124
Education ^b	253	112	226
Health and Hospital ^b	128	61	210
Welfare ^b	254	102	247
Variable Functions	989	491	201
Common Functions	218	194	112

Source: Roy W. Bahl, Alan K. Campbell, and David Greytak, Taxes, Expenditures, and the Economic Base: A Case Study of New York City (New York: Praeger Publishers, 1974), p. 168.

^aCommon functions.

^bVariable functions.

Table 6-1 compares New York's per capita expenditures with the weighted average of per capita expenditures in the ten cities. Variable

functions of the city, such as education and health and hospitals, are more than 200 percent higher in New York. Variable functions refers to services that are not uniformly assumed by all municipalities. Common functions, however, were also higher in New York by a margin of between 114 and 1124 percent (these figures are found in column three of Table 6-1.)

The situation that New York found itself in developed over a period of time. The situation did not arise overnight. Between fiscal years 1963-64 and 1973-74, expenditures more than tripled, with state and federal aid accounting for a great deal of the increase.¹⁰ This dependence on state and federal aid, however, was not cost free. Municipal expenditures had to grow in order to qualify for matching federal funds. Growth of programs often outstripped the growth of federal aid for the programs. The city grew more and more dependent upon outside sources of revenue. When these federal and state grant programs grew at a more modest pace than was expected, great pressure was exerted on the city's finances.

Figures 6-1 through 6-5 describe revenue trends (intergovernmental revenue, total taxes, property taxes, and charges and miscellaneous revenue) over a twenty-year period. Intergovernmental revenue and charges and miscellaneous revenue are independent sources of revenue. Total taxes includes property taxes; general sales taxes; selected taxes on items such as alcohol, motor fuel, tobacco, and public utilities; income taxes; and taxes on motor vehicle licenses. A number of interesting trends are observed in the analysis of New York City's revenue sources. In the early sixties, intergovernmental revenue was a relatively insignificant source of municipal revenue, but, by the early

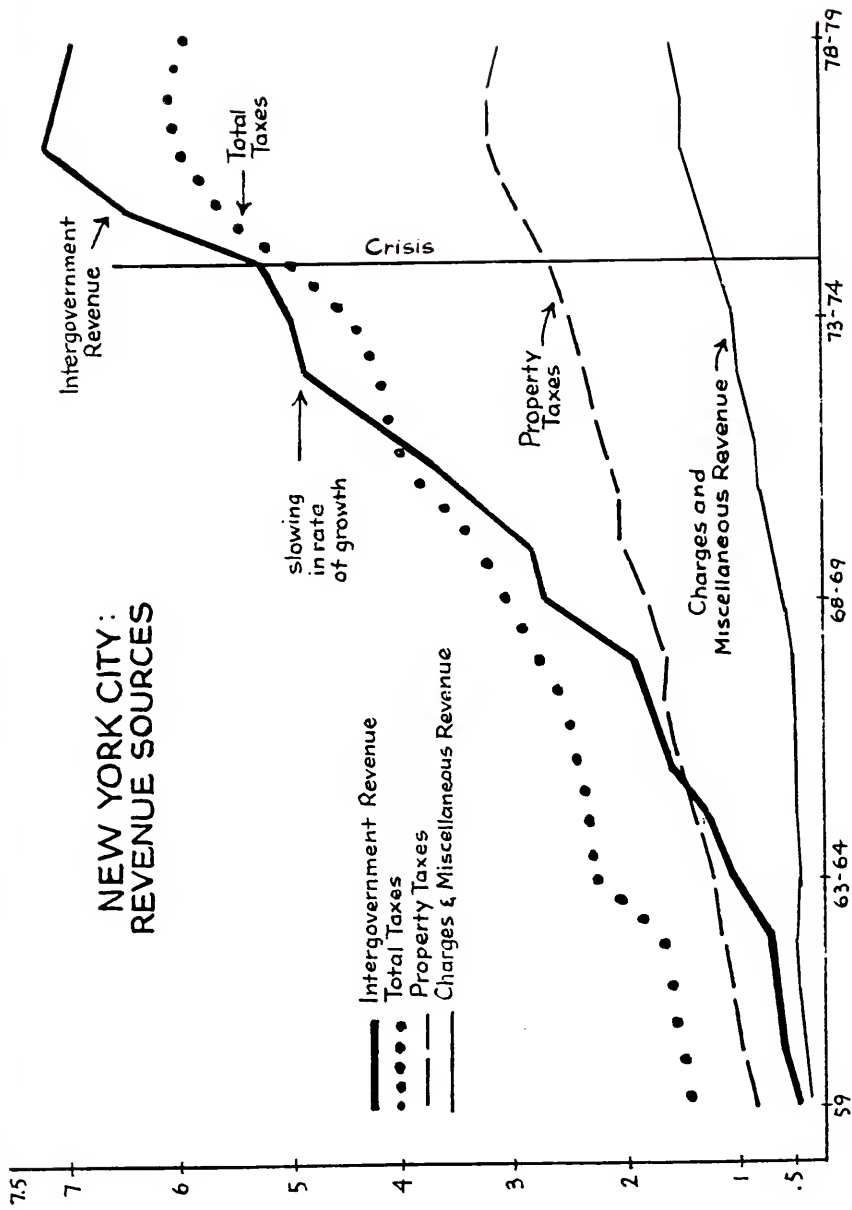


Figure 6-1. New York City: Revenue Sources

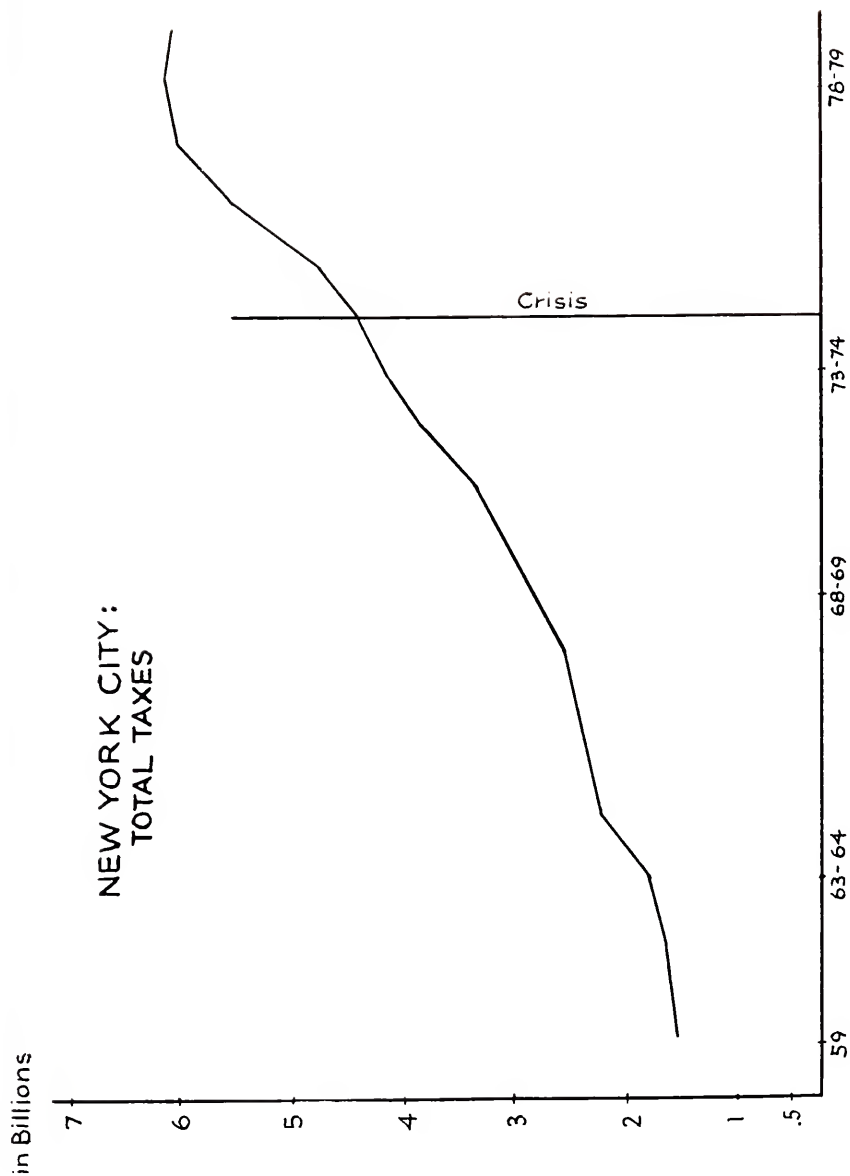


Figure 6-2. New York City: Total Taxes

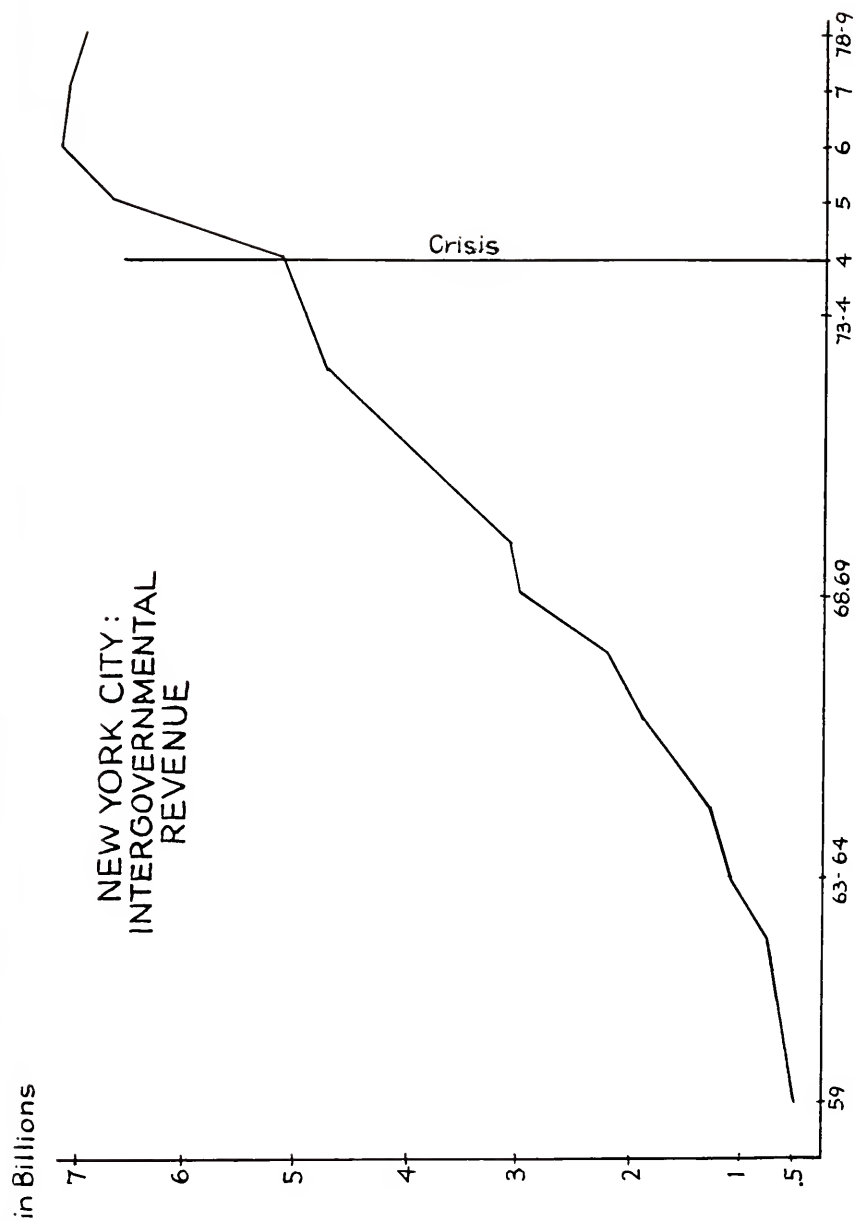


Figure 6-3. New York City: Intergovernmental Revenue

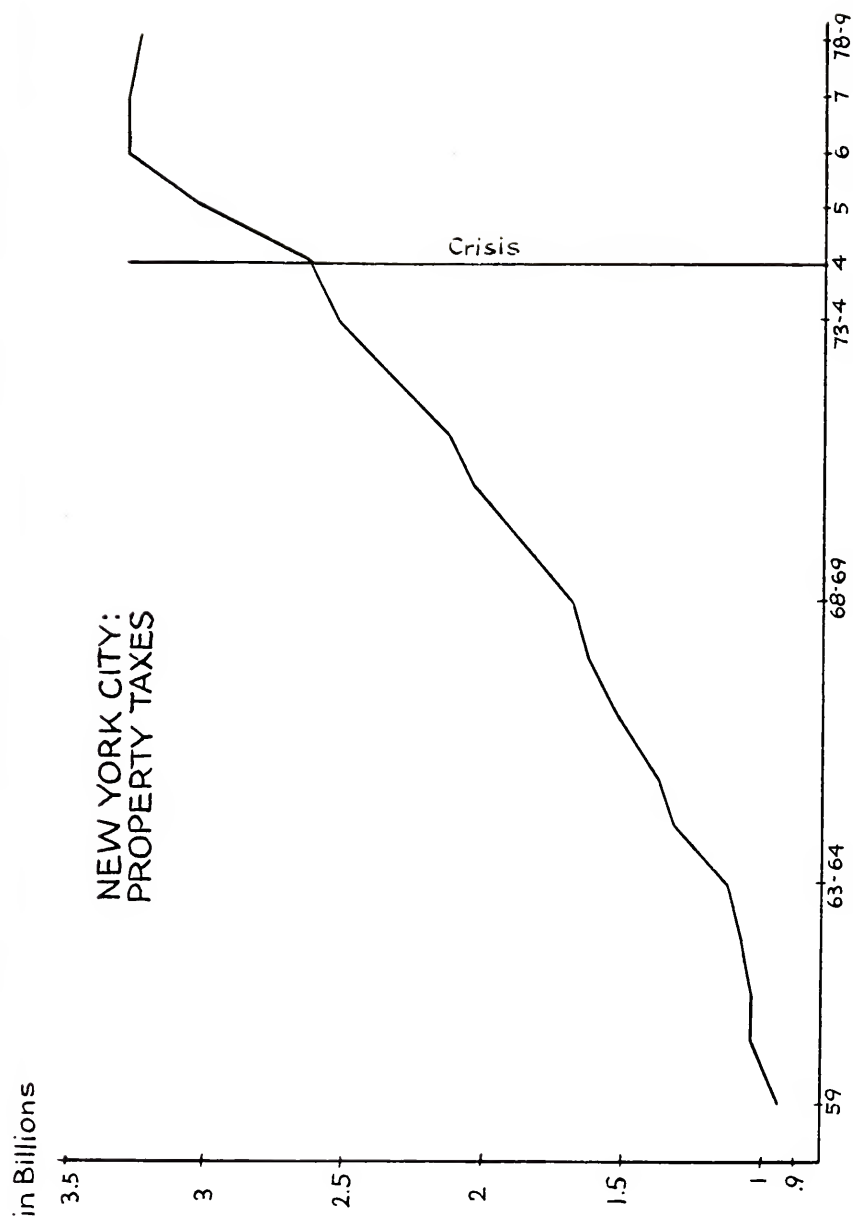


Figure 6-4. New York City: Property Taxes

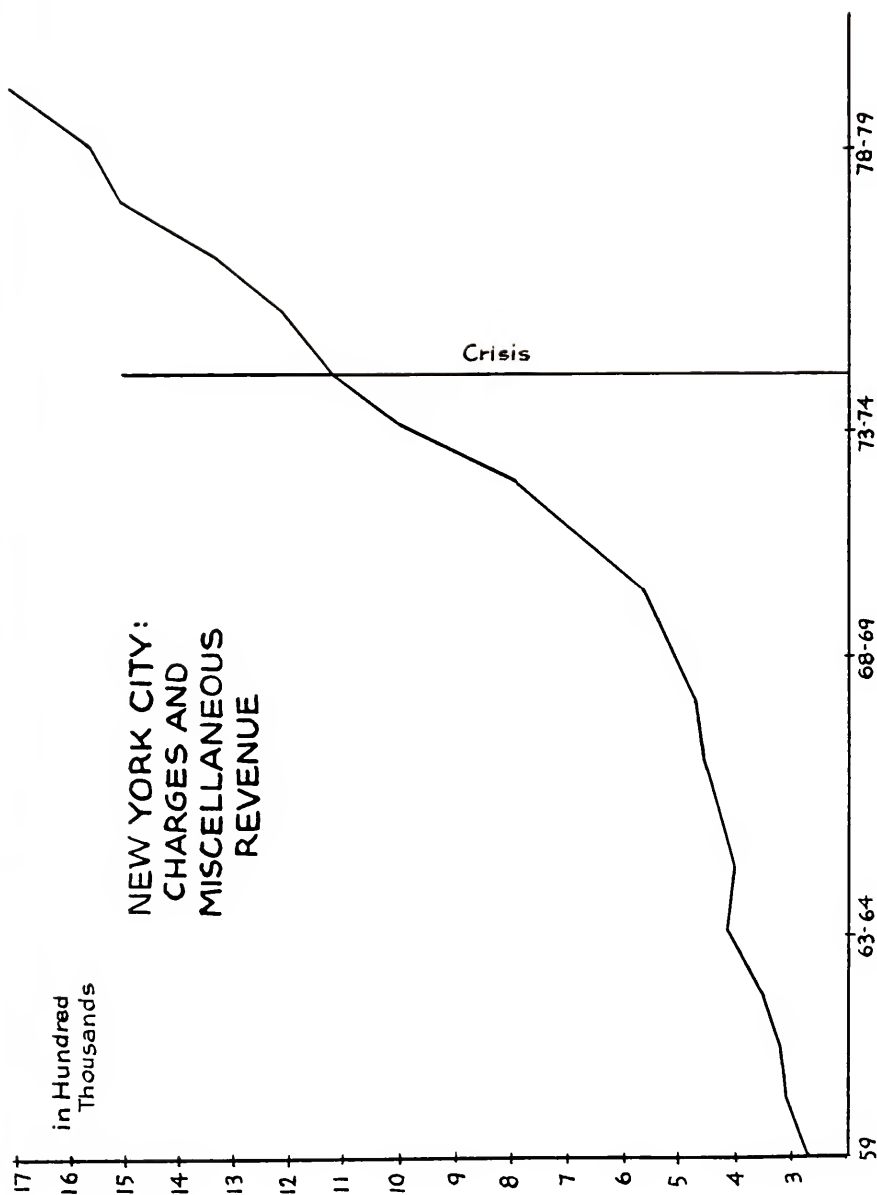


Figure 6-5. New York City: Charges and Miscellaneous Revenue

seventies, these funds had grown to the point where they were the dominant source of revenue for the city. Immediately before the fiscal crisis of New York in 1975, intergovernmental transfers experienced a slowing in their rate of growth as governmental funds were spread over many cities rather than targeted to specific large urban centers. Other categories of revenues continued to grow steadily until after the cash-flow problems of 1975.

Actual declines in intergovernmental revenue, total taxes, and property taxes were recorded in fiscal year 1978-79. A possible explanation of this decline in revenue following the fiscal crisis may be attributed to a shift in ideology in the city. As the Laffer Curve explains, taxing limits are mainly subjective. Conservative philosophy, however, advocates lower tax rates in order to stimulate production while liberal philosophies advocate higher tax levels which are thought to stimulate demand through government spending. There is evidence that, following the crisis of 1975, New York initiated conservative policies of tax abatement and incentives. The implementation of this strategy was confirmed both by the data and a personal interview with the city's deputy comptroller, Paul O'Brien.

These declines in revenue also occurred when figures were per capita. Marginal declines in the population of New York City somewhat increased the amount of per capita revenue, but the increase was not sufficient to negate the declines in revenue in the late seventies. Expenditure trends of New York City are also a matter of great interest. These trends for the major categories of spending (social welfare, urban services, infrastructure, overhead, and amenities) are shown in Figures 6-6 through 6-12.

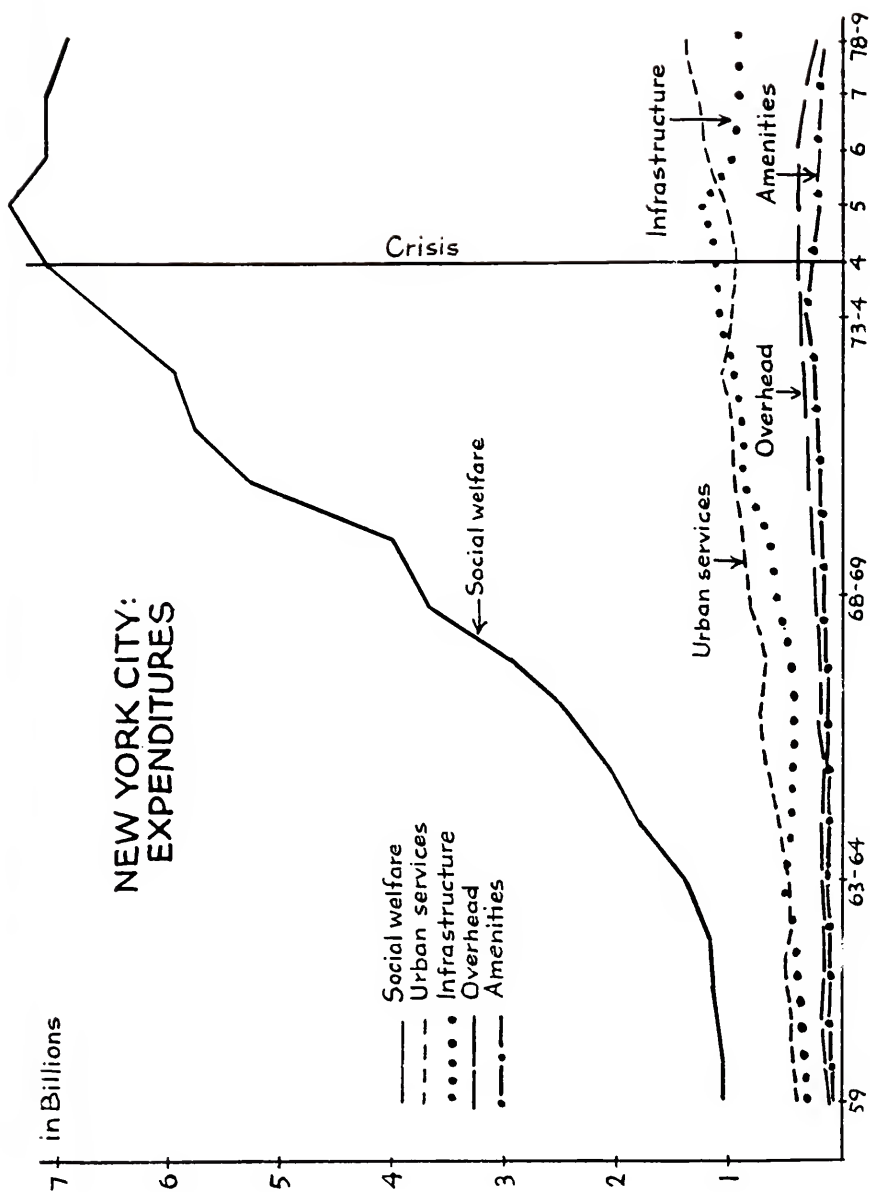


Figure 6-6. New York City: Expenditures

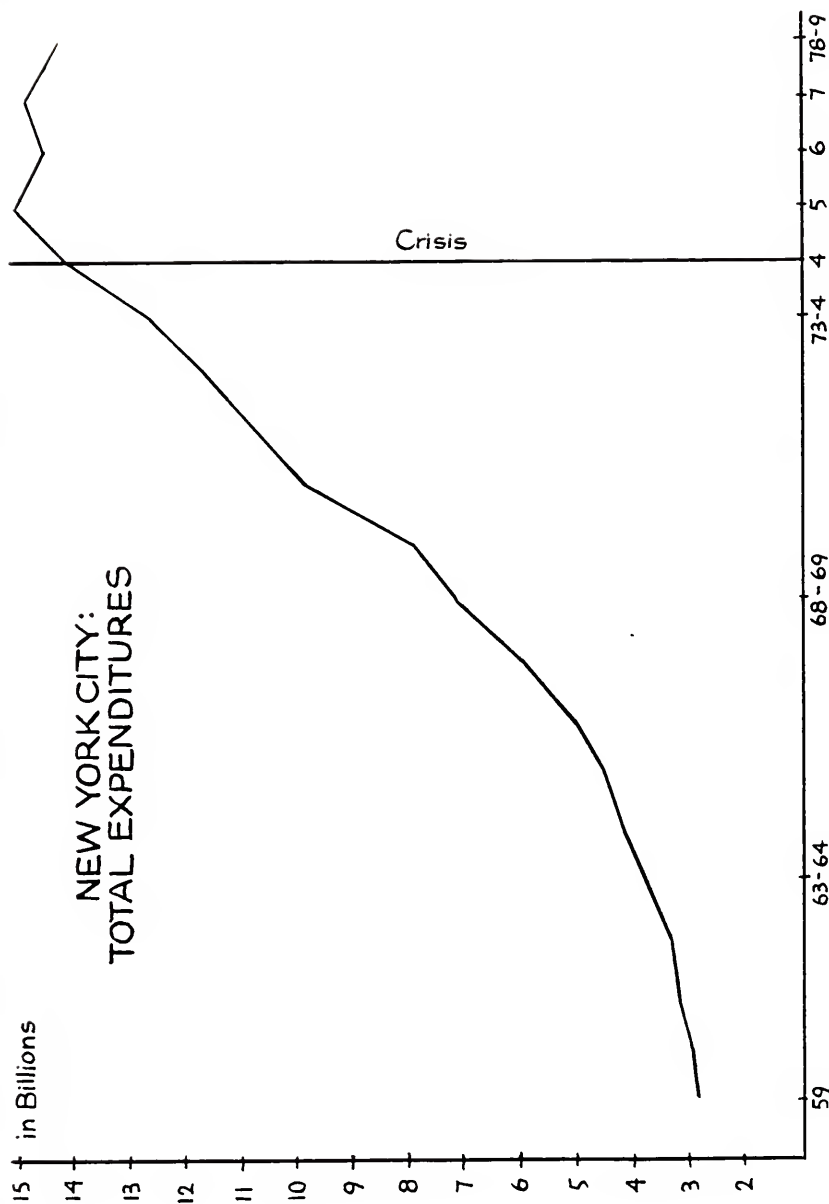


Figure 6-7. New York City: Total Expenditures

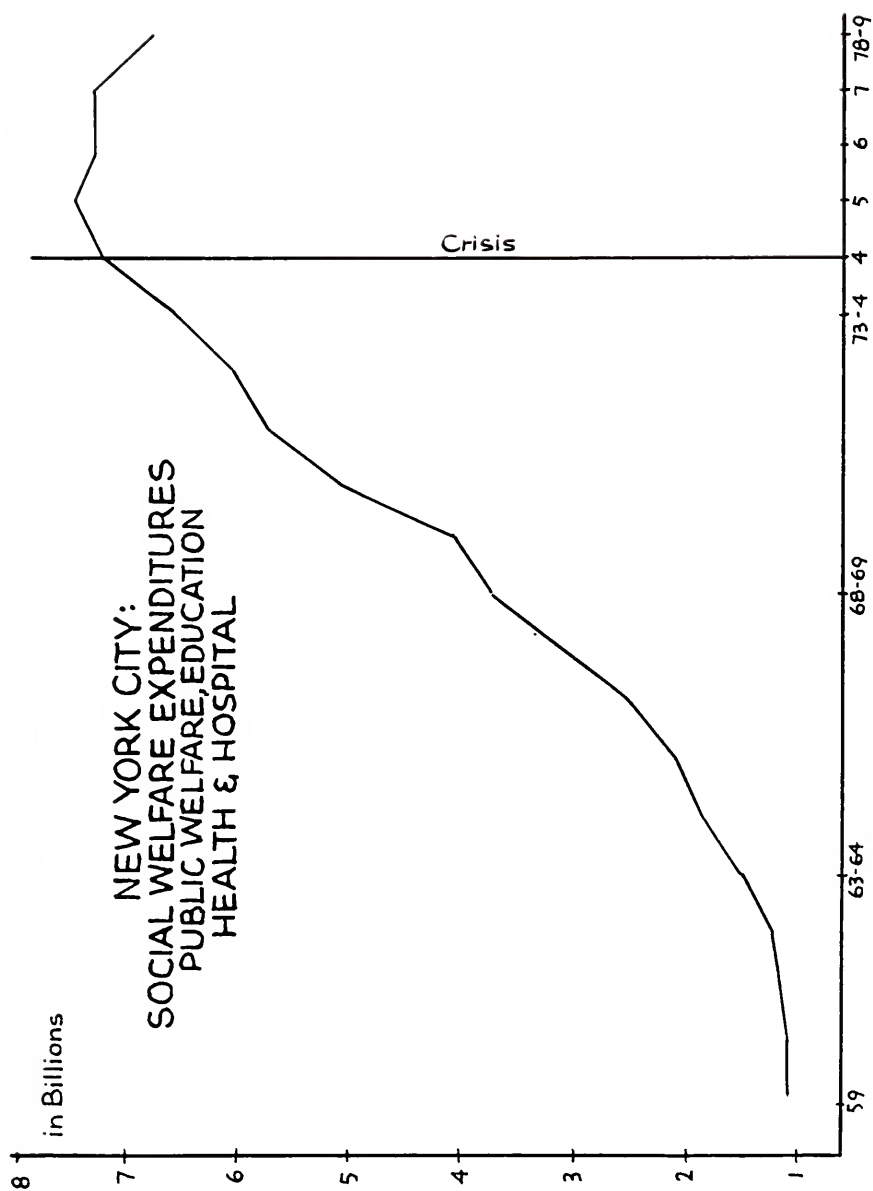


Figure 6-8. New York City: Social Welfare Expenditures, Public Welfare, Education, Health, and Hospital

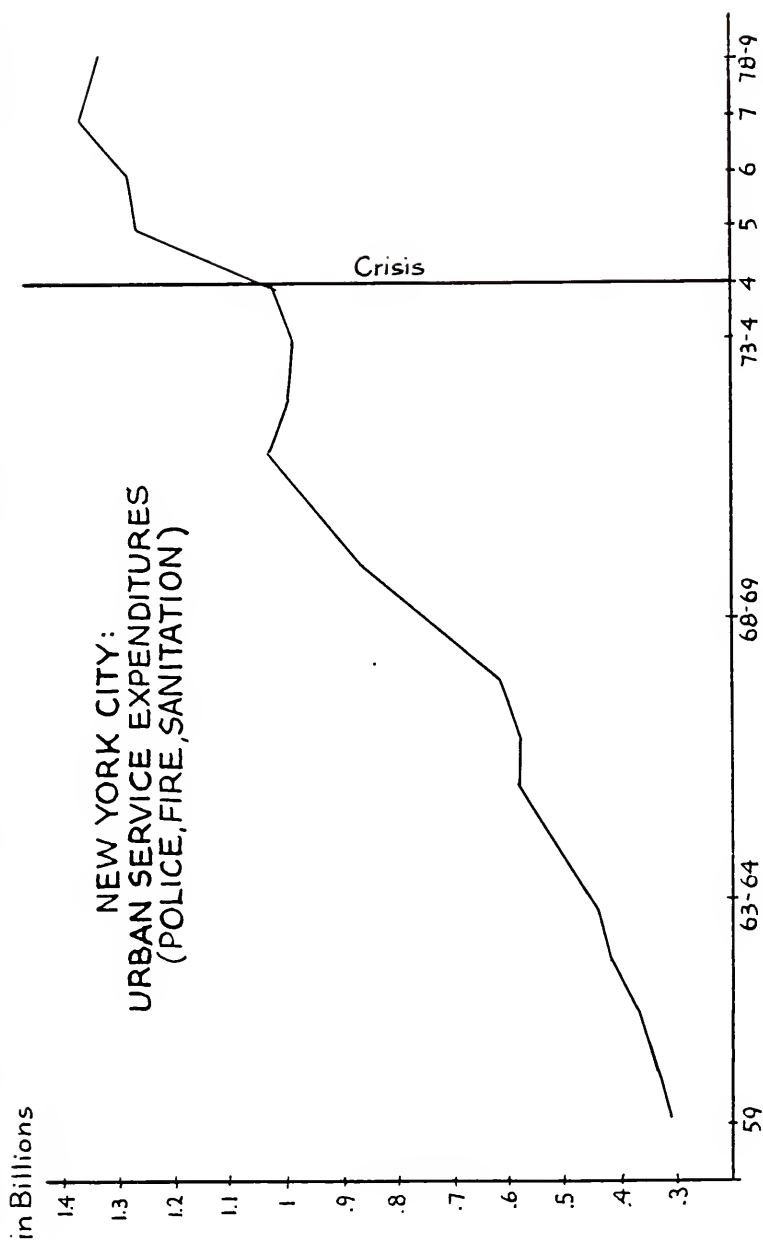


Figure 6-9. New York City: Urban Service Expenditures (Police, Fire, Sanitation)

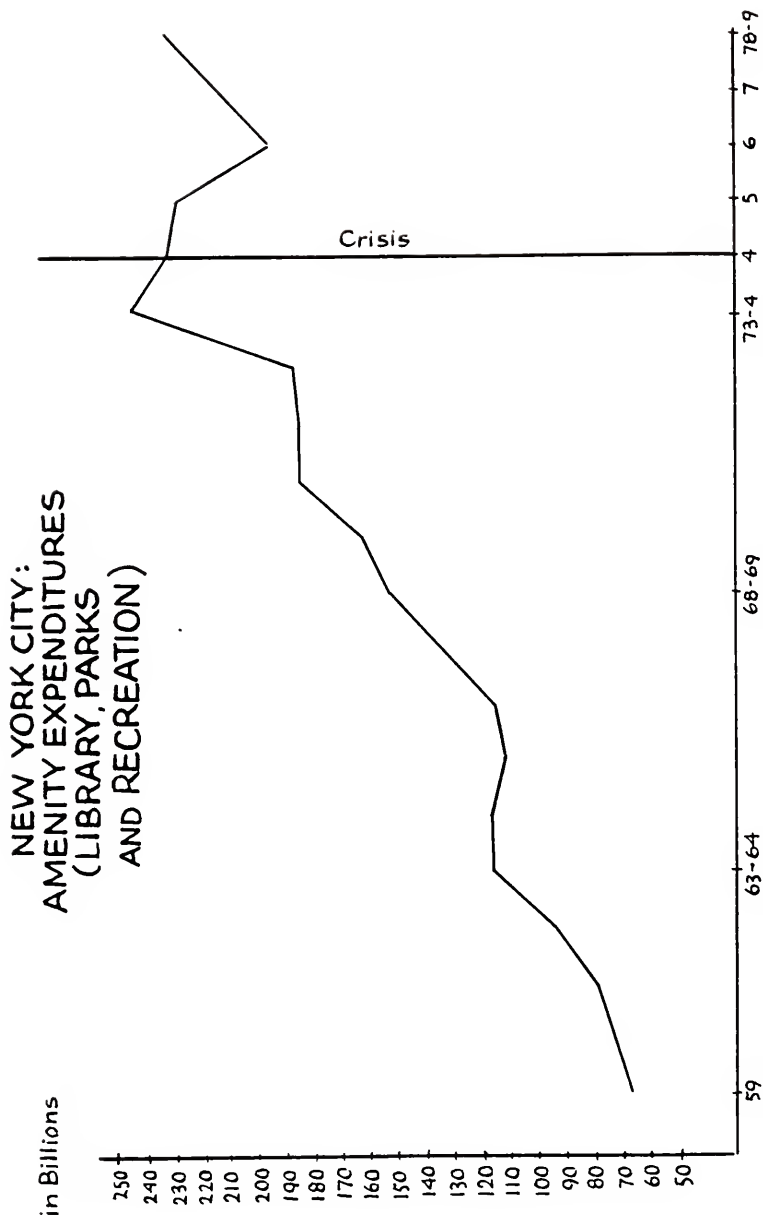


Figure 6-10. New York City: Amenity Expenditures (Library, Parks and Recreation)

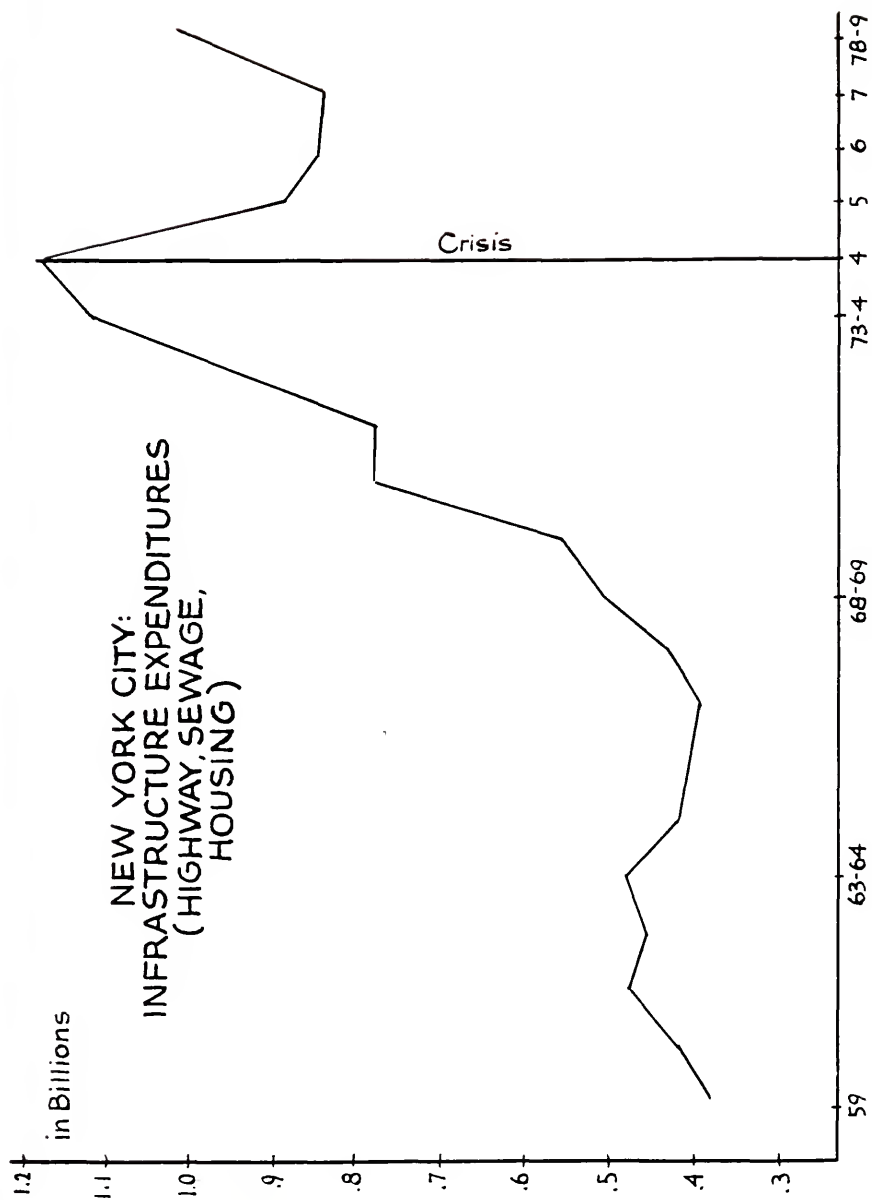


Figure 6-11. New York City: Infrastructure Expenditures (Highway, Sewage, Housing)

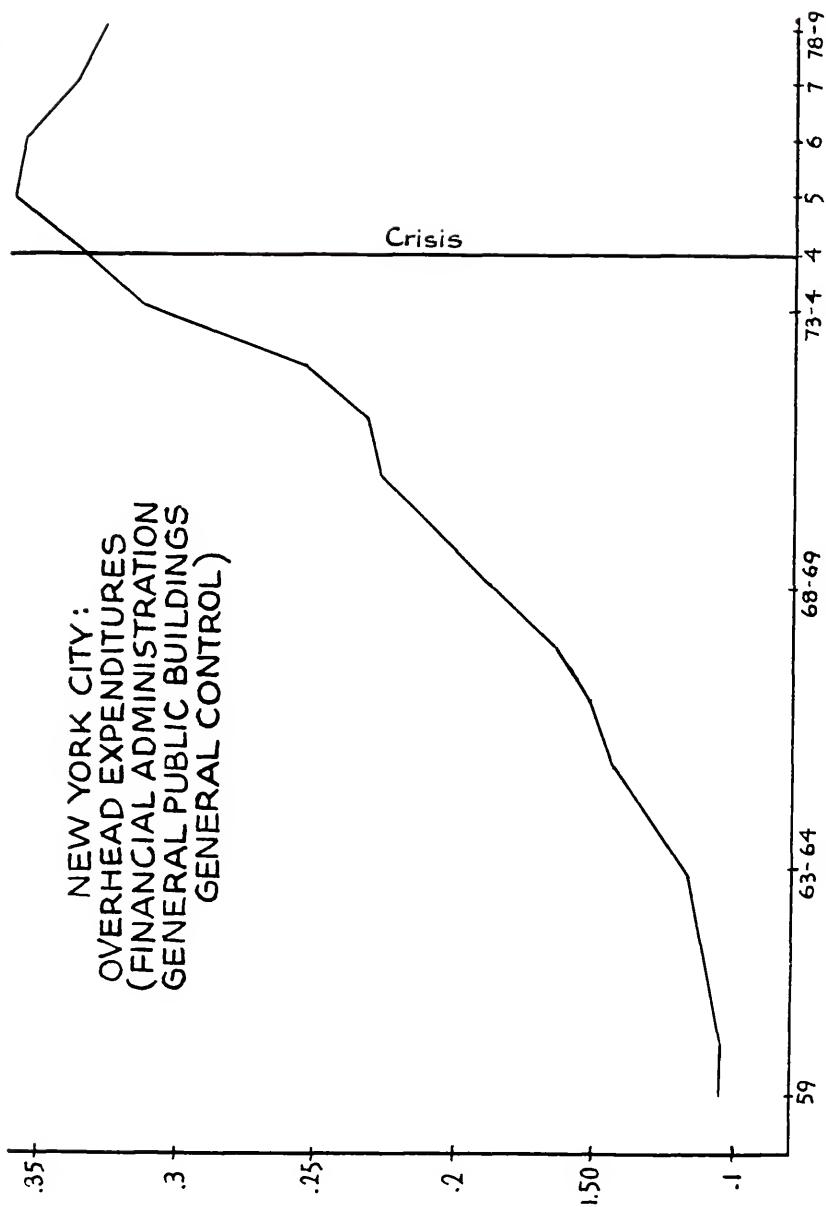


Figure 6-12. New York City: Overhead Expenditures (Financial Administration, General Public Buildings, General Control)

Expenditure trends in New York City describe the city's budget response to its cash-flow problems of 1975. (Changes in expenditures from fiscal years 1975-76 to 1976-77 are presented in Table 6-2.)

All expenditure categories with the exception of urban services declined immediately following the fiscal crisis. Total expenditures continued to decline in the late seventies but the funds lost in many categories had been restored. (Changes in expenditures from fiscal year 1975-76 to fiscal year 1978-79 are presented in Table 6-3.) Spending in the categories of education, hospital, fire, sanitation, library, highway, and housing grew after initial cutbacks in 1975-76. In other spending categories continuous decreases were noted. These categories included public welfare, health, and sewage. By far the most significant of these categories, because of its size, was public welfare. Expenditures in public welfare declined by more than 642 million dollars between fiscal years 1975-76 and 1978-79. This decline represented 87 percent of the decline in total expenditures for the entire city between fiscal years 1975-76 and 1978-79.

The data indicate that New York dramatically reduced its public welfare responsibilities into the late seventies. This fact supports two major contentions of this dissertation:

1. Ideology plays an important role in determining resource allocation decisions.
2. Budgetary theories that focus upon stability (incrementalism) do not adequately explain the dynamics of the budgetary struggle.

Table 6-2
Changes in Expenditures in New York City from FY1975-76 to FY1976-77

Expenditures					
Social Welfare %	Urban Services %	Infrastructure %	Amenity %	Overhead %	Total %
Education -3	Police +3	Highway -5	Library -8	General Control -5	
Public Welfare +.004	Fire -1	Sewage -25	Parks and Recreation -18	Finance and Administration +15	
Hospital -9	Sanitation -1	Housing -.002		Public Buildings -2	
Health -25					
Totals -3	+1	-8	-14	-.002	-4

Source: U.S. Department of Commerce, City Government Finances 1975-76 (Washington, D.C.: U.S. Government Printing Office, 1977); U.S. Department of Commerce, City Government Finances 1976-77 (Washington, D.C.: U.S. Government Printing Office, 1978).

Table 6-3
Changes in Expenditures in New York City from FY1975-76 to FY1978-79

Social Welfare %	Expenditures				Total %
	Urban Services %	Infrastructure %	Amenity %	Ovehead %	
Education +.006	Police -1	Highway +30	Library +10	General Control -22	
Public Welfare -18	Fire +6	Sewage -22	Parks and Recreation -3	Finance and Administration +37	
Hospital +4	Sanitation +6	Housing +30		Public Buildings -1	
Health -33					
Totals -9	+2	+17	+1	-8	-5

Source: U.S. Department of Commerce, City Government Finances, 1975-76 (Washington, D.C.: U.S. Government Printing Office, 1977); U.S. Department of Commerce, City Government Finances, 1976-77 (Washington, D.C.: U.S. Government Printing Office, 1978).

It is interesting to note that the budget crisis of 1975 did not occur as a result of declines in the amount of revenue received from the city's major revenue sources. Ironically, since 1975—a period of time when the city was achieving solvency—revenues have actually declined. The data support the contention that after the budget crisis the city actually reduced taxes in order to attract business investment. Solvency was achieved through reductions in expenditures rather than through increases in revenue. These reductions in expenditures were not offset by corresponding increases in productivity and therefore the quality of services delivered to residents declined.

Shifts in the relative importance of revenues and expenditures occurred as a result of the different rates of growth experienced by these budget categories. The relative importance of the revenue categories is described in Table 6-4.

Table 6-4
Percent Change in Weight of Revenue Sources,
1959-79

Year	Intergovernmental Revenues	Tax Revenues	Charges and Miscel- laneous Revenues
1959	23%	64%	13%
1979	45	43	12
Change	+22	-21	- 1

Source: U.S. Department of Commerce, City Government Finances 1959-60 (Washington, D.C.: U.S. Government Printing Office, 1961); U.S. Department of Commerce, City Government Finances 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980).

Intergovernmental revenue increased in importance as a source of revenue in New York City between 1959 and 1979. Changes and miscellaneous revenues composed 10 percent of the city's total revenue in 1959 and 1979—a constant proportion. The other two revenue categories decreased in importance as a share of the city's total revenue collected. Intergovernmental revenues, total tax revenues, and charges and miscellaneous revenues are the three major sources of local revenues. Property tax revenue is a part of total taxes but is individually explored because of its traditional importance to local governments. The relative importance of the expenditure categories is presented in Table 6-5.

Table 6-5

Change in Weight of Expenditure Categories: New York City,
1959-79

Year	Social Welfare	Urban Services	Infra- Structure	Amenity	Governmental Adminis- tration
1959	55%	17%	20%	3%	5%
1979	70	13	11	3	3
Change	+15	-4	-9	0	-2

Source: U.S. Department of Commerce, City Government Finances 1959-60 (Washington, D.C.: U.S. Government Printing Office, 1961); U.S. Department of Commerce, City Government Finances 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980).

Between 1959 and 1979 the percentage of expenditures allocated to social welfare spending increased by the largest total. All other expenditure categories decreased in terms of their proportional share of the budget. The growth of individual expenditure categories can also

be compared with the average growth of all municipal expenditures. An index of the relative success of agencies as they attempted to secure funds is presented in Table 6-6. This index reflects the growth of a particular category's spending in relation to the average growth of all spending. Positive scores reflect growth of spending that is above average. Negative scores reflect the opposite.

Table 6-6
Relative Success of Individual Governmental Agencies;
New York City, 1959-79

Expenditure Category	Score on Index of Relative Success
Public Welfare	+4.99
Health	+1.30
Corrections	- .37
Hospitals	- .66
Education	- .71
General Public Buildings	-1.16
Sewage	-1.39
Police	-1.44
Libraries	-1.47
Fire	-1.67
Financial Administration	-1.93
Parks and Recreation	-2.56
Sanitation	-2.58
General Control	-3.08
Highways	-4.10

Public welfare recorded the largest net gain on the index of relative success, a gain of 499 percent over the increase in general expenditures. The growth of highways was 410 percent less than the growth of general expenditures over the twenty-year period in question. It should be noted that except for two categories (health and public welfare) all expenditure categories grew at a slower than average rate. High public welfare expenditures pushed up the growth of general expenditures and may have contributed to the fiscal crisis which is reviewed below.

Causes of Fiscal Crisis

There is a wide diversity of opinion concerning the causes of New York's fiscal crisis. Ideology seems to play a role in determining who the perceived villains were. A number of sources describing the day-to-day events surrounding the crisis are available.¹¹ This section does not supply a narrative account of the crisis but instead concentrates upon some of the long-term causes of the crisis. These causes can be categorized into four distinct categories.¹² Four theories explaining the cause of the fiscal crisis are summarized as follows:

1. Powerful unions—the theory that municipal unions forced destructive wage settlements upon the city which brought about the crisis.
2. Powerful banks—the theory that the banks were to blame for the crisis. They withheld their support for city securities in order to transform the structure of city government.

3. Management crisis—a theory focusing upon the lack of effectiveness in the city's managerial functions, including corruption, inefficiency, waste, and low productivity.
4. Welfare state—a theory suggesting that the fiscal crisis was caused by the expansion of expenditures for clients of the welfare state. The fiscal crisis was said to result either from the city's humane responses to the needs of the poor, as Newfield and Dubrul suggest, or from the city's being forced to respond to the poor because of their mobilization, as Piven and Cloward maintain.

Most studies of New York City's fiscal crisis have included one or more of these factors as a cause of the city's fiscal problems. Conservative studies tend to emphasize all of the theories except the powerful bank theory. Problems of the welfare state and problems with powerful unions draw special concern. Liberal studies emphasize the powerful bank perspective, and many are as critical of management inefficiency as are conservative critiques.

A study conducted by the conservative American Enterprise Institute (AEI) was typical of the conservative perspective. The AEI study claimed that the real basis of the fiscal crisis stemmed from the fact that the city was living beyond its means. Expenditures increased more than tax revenues, particularly social welfare and labor expenditures. The costs of pensions and fringe benefits were reported as other factors driving up labor costs and leading the city to bankruptcy.¹³

The conservative perspective often stresses high wages paid to municipal employees. William Simon, Secretary of the Treasury under

the Ford administration, stated that New York lacked a sense of balance. According to Simon, from 1963 to 1973, per capita municipal expenditures increased at a much faster pace than the rate of increase in other large cities. Salaries were higher for municipal government jobs than for comparable jobs in the private sector. Simon offered the following evidence of salary imbalance in the city:

- 1) A subway changemaker, who was not required to change anything larger than a \$10 bill earned \$212 per week compared to \$150 per week for a teller at a commercial bank
- 2) City bus drivers often worked an 8-hour day but were paid for a 14-hour day
- 3) Teachers in the secondary school system earned up to \$23,750, and their workloads had declined.¹⁴

Simon expressed skepticism of the cry that New York went broke because of its welfare burden or "decency to the poor," pointing out that the most important problem of the city was not its generosity to the poor but its attempts to subsidize large portions of the middle class:

The liberal cry that New York is being drained by its decency to the poor is not just a misstatement; it is virtually a psychotic—and, I submit, a racist—delusion. It is blatantly obvious that the subsidy to New York's middle class—above all, the salaries, pensions and fringe benefits paid to the government workers—is responsible for New York's fiscal collapse.¹⁵

First National City Bank of New York agreed with Simon's contention that many of New York's public sector jobs paid better than similar jobs in the private sector. This situation was viewed as disturbing since, according to the bank, Americans used to pride themselves on the fact that in our productive society the best jobs were not in government. This situation was described by the bank as occurring in developing countries where everyone scrambled to get on the government payroll, but not as characteristic of our capitalist society.¹⁶

These conservative critiques have almost exclusively emphasized the powerful union theory. Other studies were more comprehensive and balanced, discussing a wide array of factors. Ken Auletta listed ten factors which he claimed contributed to the decline of the city:

- 1) A redistribution of expenditures from police, fire, sanitation, and education (decline from 46% to 30% between 1961 and 1976) to welfare, hospitals, and higher education (increase from 22% to 37% between 1961 and 1976)
- 2) Growth of taxes and borrowing
- 3) Attraction of the suburbs
- 4) Rent control which slowed construction and invited abandonment of apartments
- 5) Growth of the power of municipal unions
- 6) Growth of pensions
- 7) Use of "moral obligation" bonds
- 8) Budget trickery such as hiding of expense items in the capital budget
- 9) Redlining of once viable neighborhoods
- 10) Redirection of federal aid by the Nixon administration.¹⁷

All of these factors led to the deterioration of New York's economic base. Auletta claimed that, beginning with John Lindsay, the city government ignored the hemorrhaging of its economy. While the nation's economy rebounded from the 1969 recession, the city's economy remained dormant. For the first time in its history, New York's economic patterns did not mirror that of the rest of the nation. New York was in its own slump independent of the national economy. Between 1970 and 1980 the population declined 10.9 percent, total employment dropped 7.4 percent, and personal income grew more slowly than the national, state, or SMSA average.¹⁸

David Greytak, Donald Phare, and Elaine Morley also presented a comprehensive review of the causes of New York's fiscal crisis. Factors described by these authors include the following:

1. Provision of public services—The expansion of municipal services is said to have contributed to the cash-flow

problems of the city. New York assumed a large number of services not provided by other municipalities. Some of these were provided in order to lure matching funds from the federal government, but the costs of the programs expanded faster than the sources of funds, leaving the city "holding the bag."

2. Union pensions—New York City was a prime example of "Baumol's disease" or the problem of sustained low productivity.¹⁹ Low worker productivity interacting with inept municipal management is said to characterize the city. The author claimed that it took months, even years, to effectuate a reasonably simple productivity enhancement because of union resistance.
3. Tax base erosion—The tax base deteriorated as middle- and upper-income families left the city and lower-income residents remained. Businesses, people, and jobs left the city because of high taxes and the better quality of life in the suburbs.
4. Fiscal gimmicks—The long-run harm of financial chicanery to achieve a balanced budget more than offset the short-term gains. Dubious financial maneuvers undermined confidence in the city's ability to manage its own affairs.²⁰

The critique from the left of the political center differs significantly from the conservative critique. Banks and bankers are more likely to be the scapegoat, replacing the powerful unions. Jack Newfield and Paul Dubrul argued that banks led to the city's downfall by extorting maximum interest from a city already in economic trouble and then refusing to grant any more loans. Newfield and Dubrul contended

that the recession of 1974-75 reduced municipal revenues while at the same time it forced the city to increase expenditures on social programs. Facing this need, the city was forced to go to the credit markets for revenue. The real crisis occurred when the credit market, led by the large banks, was unable or unwilling to absorb the growing demands placed upon it by the city.²¹

Other left-of-center authors visualized New York's problems in Marxist terms. William Tabb disputed the conservative view that welfare chiselers and unions were shaking down the city. In Tabb's analysis the real causes of New York's crisis were rooted in class conflict: "The perspective offered in the current analysis suggests that in fact class conflict lies at the heart of why the city crisis exists, why those in power choose the scapegoats they do and seek to impose the solutions they do."²² Tabb stated that the result of the fiscal crisis would be further decay ending only when planned shrinkage beat back the poor and municipal unions.

Roger Alcaly and Helen Bodian agreed with Tabb's contention that the fiscal crisis of New York and the rest of urban America can only be understood as part of the class struggle and the crisis of American capitalism. This crisis of capitalism is said to be rooted in declining profitability and a system of production for profit rather than in production for use. As a result of this orientation, anything which endangers profits will eventually lead to cutbacks in production and to rising unemployment. Rising unemployment will in turn tame labor and pave the way for future capital accumulation. Alcaly and Bodian viewed New York's fiscal crisis as the result of these structural conditions within capitalist society.

According to Marx, there are several factors which operate to depress profits. These factors lead to a crisis arising from the exhaustion of the reserve army of the unemployed, a crisis arising from underconsumption, or a crisis arising from the tendency of the rate of profits to fall.²³ Whichever of these crises occurs to depress profits, it sets off a process of declining production and, ultimately, recession. Marx further believed that recession was necessary in order to establish the basis of profitable expansion in the future:

Permanent crises do not exist. . . . These contradictions (of capitalism) lead to explosions, cataclysms, crises in which by momentaneous suspension of labor and annihilation of a great portion of capital the latter is violently reduced to the point where it can go on.²⁴

Alcaly and Bodian noted that New York's fiscal crisis was directly related to the recession of the midseventies which was a result of the contradictions of the capitalist economy. New York's heavy reliance on sales and income taxes made the city particularly vulnerable to downturns in the economy. Cities that rely to a greater extent upon property taxes are less sensitive to the business cycle.

Mathew Edel also linked New York's fiscal crisis to the systemic contradictions of capitalism. A strike of capital was viewed as the event precipitating New York's crisis.²⁵ Edel defined a strike of capital as any decline in investment. The cutting off of municipal bond purchases by major banks is an example of a strike of capital against the city. Edel's assessment of the role of the banks is similar to the assessment of Newfield and Dubrul in regard to the role of the banks in New York's crisis. Edel emphasized broad structural problems when discussing the plight of New York. Suburbanization is

credited with weakening the fiscal base of the central city. Costs of social control through the welfare system, law enforcement, and education increased greatly. Each of these factors was said to have contributed to New York's crisis.

Eric Lichten claimed that each of the four theories (powerful unions, powerful banks, management crisis, and welfare state) contributed to the fiscal crisis of the city. Lichten maintained that each of the perspectives must be viewed within a broad Marxist framework. He saw class struggle as explaining the crisis, and each of the four perspectives mentioned as relating to this class struggle.²⁶

The implications of the fiscal crisis in New York were profound. The city was forced to change policies. The actual management of the city actually changed hands when the Emergency Finance Management Control Board (EFMCB) was granted emergency powers. The city was forced into economizing measures that would have been politically impossible in the absence of a major crisis. Opinions concerning the results of the crisis are mixed and heavily influenced by ideology.

Implications of Crisis

Attitudes pertaining to the long-term effects of the fiscal crisis also vary according to ideology. Those on the left are more inclined to view the crisis as disastrous, in terms of delivery of services and in terms of the ability of workers to receive a decent rate of pay. Those on the right are more inclined to view the results of the fiscal crisis more favorably. The crisis ensured payment on municipal obligations, forced the city to adopt more rigorous managerial practices, and disciplined the labor unions. Charles Morris listed the

following results which he viewed as accomplishments resulting from the crisis:

- 1) Overall municipal employment has been reduced by more than 20%. Wage increases have been held below the level of price inflation. This may eventually restore parity between private and public sector pay levels.
- 2) The \$4.5 billion short-term debt that was on the city's books at the end of the 1974-75 fiscal year has been discharged or re-financed. An \$800 million dollar loan from the state originally advanced in 1975 was paid off in 1979.
- 3) In 1979 the city was able to enter the financing market on its own for the first time since 1975.
- 4) The city's budget and accounting systems have been synchronized for the first time ever.
- 5) Pension plans for new employees have been standardized and modified to bring them more in line with accepted practices.²⁷

Perceived municipal benefits from the fiscal crisis were also noted from personal interviews that were conducted in New York during the summer of 1981. Frank Rizzo, head of the municipal bond section of Standard and Poors, claimed that, as a result of the crisis of 1975, the city's fiscal management policies were upgraded. Computers were installed and information that was either inaccurate or unavailable prior to 1975 became reliable. Paul O'Brien, deputy comptroller of New York, claimed that the fiscal crisis forced the city to pursue more aggressively the attraction of business to New York. Tax abatement plans were very successful in Manhattan in terms of stimulating construction and bringing about a boom of real estate values. The old Commodore Hotel is an example of a successful enterprise spurred on by the city's tax policy. In return for generous tax abatement plans, a developer tore down the decaying hotel, built a new luxury hotel, and sold it to Hyatt. The Grand Hyatt now stands in the place of the old Commodore Hotel. Instead of an eyesore where winos and junkies congregated, a vibrant, new structure stands. The new hotel attracts tourists and suburbanites who come to the city and spend their money on the city's attractions.

Others do not hold a negative view of the long-term effects of the fiscal crisis. The Citizens Budget Commission (CBC), a citizens' watchdog agency, declared that in traditional monetary terms the city has brought the fiscal crisis under control. This, however, is not meant to mean that the city is in fine shape. The CBC claimed that the closing of budget gaps does not imply that the city's financial troubles are over. The CBC claims that the fiscal crisis has become a service crisis which, if not addressed, promises a deterioration in public services which could result in more threatening consequences than the bankruptcy posed in 1975.²⁸

Manuel Castells described the crisis simply as a means of restoring the exploitation of workers after a period of time when they were making gains. Disciplining New York City was viewed by conservatives as a necessity in the battle of capital against labor. Massive layoffs, reductions in services, wage freezes, less hiring, accelerated workloads, and repression of militants were all utilized by the city as a means of restoring the exploitation of labor.²⁹

As previously stated, Eric Lichten also viewed the fiscal crisis in New York City in terms of class struggle. He postulated that capital benefited disproportionately from the crisis:

Yet New York's working class and poor were forced to sacrifice disproportionately, its capitalist class actually benefited from austerity. There was a redirection of tax benefits and city and state funds to improve business conditions and lower the costs of doing business in New York, as well as generously high interest rates from Municipal Assistance Corporation bonds.³⁰

Lichten viewed the scarcity in New York as the result of deliberate decisions by investors to withhold funds until government priorities had been redirected. The crisis therefore represented the assertion of capital over the human needs of the working class and the poor.

Summary

In conclusion, this chapter has demonstrated how political ideology can shape attitudes toward a particular event in urban politics, namely, the fiscal crisis of New York City. Both the causes of the event and the long-term consequences of the crisis were influenced by the ideological perceptions of the analysts. Conservatives were more inclined to believe that the crisis was caused by powerful unions, by problems of mismanagement, or by problems with the welfare state. Writers left of center were more inclined to blame the crisis on the banks or capital's needs to discipline labor. Conservatives were more likely to view the consequences of the crisis favorably. Default was avoided, sound financial practices were instituted, and expenditures were decreased. Those on the left were inclined to view the consequences of the crisis with disfavor. People were made to suffer, the quality of municipal services declined, and labor was forced to make many concessions to management in order to protect its members' jobs.

Economic determinists attributed the decline in the growth of the public agencies in New York to a downturn in the economy. The city, unable to borrow and unwilling to raise taxes because of fear of a further deterioration of its economic base, was forced to reduce expenditures. There is evidence, however, that the reduction in the scope of government experienced by New York City was a result of a change in political philosophy. Charles Morris described some of the changes in outlook that took place between the first and second administrations of John Lindsay (1965-73):

Lindsay began his second administration in a mood of humility and conciliation. His inaugural address reflected the new tone. The flash and swagger of his first inaugural was replaced by an implied apology for the excesses of his first term and an attitude of worried concern for the ordinary citizens. . . . The first round of new appointments reinforced the sense of limited objectives. There was no search for national experts on the urban crisis, no nationwide dragnet for urbanologists. . . . The emphasis was to be on running the city better, not breaking new programmatic ground.³¹

Lindsay concentrated upon productivity and management in his second administration, lowering his confrontational posture and trying to build a bridge to the disaffected white working class. He attempted to get a grip on runaway welfare spending, restore the integrity of the police department (expose corruption), reduce crime, and increase the productivity of all municipal agencies. Lindsay's budget director, Edward Hamilton, initiated a management improvement program that became a model for governments anxious to improve the productivity of their agencies.

Lindsay tried but could not extricate himself from his earlier association with emotional liberal causes. By 1972 he was soundly defeated in his brief bid for the presidential nomination and became, according to Morris, an object of ridicule in the city, a certain lame duck.³² Lindsay's commitment to issues such as community control (a euphemism for black control of schools in black neighborhoods) and the housing of low-income families in middle-income neighborhoods was not forgotten. Early positions on these issues cost him support in middle-class areas. Racial confrontation arose in Forest Hills, Queens, over the housing issue, while the issue of community control shut down New York City's school system when the teachers' union struck. Morris claimed that white parents were enraged that their children were being denied an education by "the irresponsible actions of a handful of blacks."³³

The issue of community control which was fervently supported by Lindsay polarized the city. Proponents of decentralization, or community control, eventually were defeated in New York City, with this defeat providing insight into why the ideology of liberalism has become less salient in recent years:

In the final analysis the strikes were not [so much] about race as they were about perceptions of race. The view of race that Lindsay had made the keynote of his administration was put to an empirical test and was forced to relate only distantly to reality. That view, oversimplified and somewhat caricatured, held that blacks were an oppressed people in New York City; that they could assume a rightful place in American society only when they had gained power and control over their destinies; that the transition to black independence would be traumatic and possibly revolutionary; that the key task of a public official was to facilitate the transition as nonviolently as possible in the interest of white and black society alike; and that in the process inexplicable, outrageous or even criminal behavior by blacks could be ignored for the sake of the larger goals. . . . It [this view] was fatally flawed. By allowing radicals to speak for the mass of blacks it ignored the rapid assimilation of blacks that was taking place in the city and disenfranchised the respected black community. It overweighted the problems of minority progress against the majority's right to aspirations of its own. It proposed a double standard of appraisal and performance which can never be the basis of an equitable society. Worst of all, it was dangerously polarizing the mindset of Lindsay's city planning staff, who blamed the problems of the city's blacks on the callous disinterest of the white middle class, betrayed a kind of simplistic self-righteousness that was inadequate as a premise for government.³⁴

The polarization and overweighting of the problems of minority progress alluded to by Morris seem to have led to an ideological backlash in the city and possibly even in the nation. The crusading Lindsay first paired down his objectives and then, after his second term, stepped down, never running for public office again. Abe Beame, the comptroller who promised to put the city on a sound financial footing, replaced Lindsay in 1973.

The budgetary data indicating reductions in general expenditures as well as a personal interview with the deputy comptroller, Paul O'Brien, indicate that New York City in the late seventies followed conservative strategies. The tax incentive program implemented in Manhattan and the reduction in public welfare spending are two concrete examples of this conservative philosophy.

The movement in New York away from liberal to conservative positions is evidence of a convergence theory existing between liberal and conservative cities. This convergence theory postulates that policy differences between liberal and conservative cities are shrinking. The data indicate that the expansiveness of the public sector in liberal cities is abating; yet growth of municipal expenditures continues at a brisk pace in conservative cities. The importance of ideology in determining questions such as the scope of government is witnessed today at the national level in the desire for limited government as exemplified in the Reagan administration.

Notes

¹First National City Bank, Profile of a City (New York: McGraw-Hill Book Co., 1972), p. vii.

²Jacob Riis, The Children of the Poor (New York: Garrett Press, Inc., 1979), p. vii.

³Ibid., p. viii.

⁴Jacob Riis, How the Other Half Lives (New York: Charles Scribner's Sons, 1890), p. 1.

⁵Barbara Blumberg, The New Deal and the Unemployed (Cranbury, N.J.: Associated University Press, 1979), p. 20.

⁶Ibid., p. 32.

⁷Ibid., p. 41.

⁸Chicago, Los Angeles, Philadelphia, Detroit, Houston, Baltimore, Dallas, Washington, Cleveland, and New York.

⁹Roy W. Bahl, Alan K. Campbell, and David Greytak, Taxes, Expenditures, and the Economic Base: A Case Study of New York City (New York: Praeger Publishers, 1974), pp. 163-174.

¹⁰David Greytak, Donald Phares, and Elaine Morley, Municipal Output and Performance in New York City (Lexington, Mass.: D. C. Heath and Co., 1976), p. 25.

¹¹An excellent description of the crisis is found in Ken Auletta, The Streets were Paved with Gold (New York: Random House, 1980); Charles Morris, The Cost of Good Intentions (New York: McGraw-Hill Book Co., 1980); Fred Ferretti, The Year the Big Apple Went Bust (New York: G. P. Putnam's Sons, 1976); and Jack Newfield and Paul Dubrul, The Abuse of Power (New York: The Viking Press, 1977).

¹²Eric Lichten, "The Fiscal Crisis of New York City and the Development of the Austerity," Insurgent Sociologist, 9:2 (Fall 1979-Winter 1980), 77.

¹³Damodar Gujarati, Pensions and New York City's Fiscal Crisis (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1978), p. 5.

¹⁴William Simon, A Time for Truth (New York: Berkley Books, 1978), p. 147.

¹⁵Ibid., p. 152.

¹⁶First National City Bank, Profile of a City (New York: McGraw-Hill Book Company, 1972), p. 4.

¹⁷Ken Auletta, p. 35.

¹⁸Ibid., p. 91.

¹⁹William Baumol, "Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis," American Economic Review, 57 (June 1967), 415-426.

²⁰Greytak, Phares, and Morley, pp. 113-119.

²¹Jack Newfield and Paul Dubrul, The Abuse of Power (New York: The Viking Press, 1977), p. 17.

²²William Tabb, "Blaming the Victim," in Roger E. Alcaly and David Mermelstein, eds., The Fiscal Crisis of American Cities (New York: Vintage Books, 1977), p. 326.

²³Roger Alcaly and Helen Bodian, "New York's Fiscal Crisis and the Economy," in Roger Alcaly and David Mermelstein, eds., The Fiscal Crisis of American Cities (New York: Vintage Books, 1977), p. 44.

²⁴Karl Marx, Theories of Surplus Value (Moscow: Progress Publishers, 1968), p. 497.

²⁵Mathew Edel, "The New York Crisis as Economic History," in Roger Alcaly and David Mermelstein, eds., The Fiscal Crisis of American Cities (New York: Vintage Books, 1977), p. 229.

²⁶Lichten, p. 78.

²⁷Charles Morris, The Cost of Good Intentions: New York City and the Liberal Experiment, 1960-1975 (New York: McGraw-Hill Book Co., 1980), pp. 236-237.

²⁸Citizens Budget Commission, New York City's Fiscal Crisis: A Redefinition, November 1980, Vol. 47, Number 9, p. 6.

²⁹Manuel Castells, The Economic Crisis and American Society (Princeton, N.J.: Princeton University Press, 1978), p. 236.

³⁰Lichten, p. 71.

³¹Morris, pp. 148-149.

³²Ibid., p. 159.

³³Ibid., p. 113.

³⁴Ibid., p. 116.

CHAPTER 7 CASE STUDY OF DALLAS

Introduction

Just as New York City is associated with liberal political thinking, Dallas is synonymous with conservatism. This, however, was not always the case. Although Dallas was founded by John Neely Bryan in 1841, it is said that much of its spirit is from La Reunion, a French socialist community established in 1855.¹ This community consisted of a group of French, Swiss, and Belgian utopian socialists who sought to create an earthly heaven on the Texas prairie. For a number of reasons the socialist experiment failed and Dallas evolved into a city associated with a political philosophy quite different from the inclinations of the early socialist community.

Dallas's early leaders were successful in creating a city that logically should not have existed. Three institutions were crucial in assuring the success of the city: (1) the railroads, (2) the Federal Reserve Bank, and (3) the Texas Centennial Exposition. The railroads created a network of efficient transportation which helped to make Dallas a valued location for the Federal Reserve Bank and thus a financial center for the region.

As in the case study of New York City, an issue dealing with municipal finance in Dallas will be investigated. It is assumed that Dallas's experience will provide insight into fiscal problems of

conservative cities. The tax revolt that reached the plains of Dallas in January 1981 is the issue chosen for analysis. It is consistent with the conservative perspective that, even in a city where taxes are relatively low, the issue of taxes received attention. The immediate cash-flow problem experienced by New York City arose when revenues could not support the growth of expenditures in 1975. Taxes have traditionally been high in New York City; yet an "official" tax revolt never developed. This may be attributed to the fact that the city's municipal leaders are oriented toward patronage and an ever-expanding public sector.

Ironically, a tax revolt movement crystallized in Dallas in 1981. A referendum limiting the rate of taxation was soundly defeated; yet the mere existence of such a vote is indicative of an inherent resistance to taxes and resistance to an expansive public sector. The resistance of conservative Dallas to government activism may be receding. Evidence of this change can be found in both the data and the defeat of the tax limitation referendum. The data indicate that general expenditures corrected for noncomparable services have actually grown at a faster pace over the past twenty years in Dallas than in New York City. When only per capita expenditures are considered, Dallas still lives up to its conservative image. This conservative image has been reinforced by a number of factors other than fiscal ones.

Image of the City

In a real sense, cities project distinct personalities. Dallas tries to project a spirit of dynamic vitality. The Dallas News described the aspirations of that city's residents:

[We have] labored for the material and cultural development of the whole state . . . that Texas be known not only as the largest, but also the finest, renowned for its moral standards as well as for the happiness and contentment of its people.²

Along with this promotion of moral standards, Dallas is also known for its reverence for business. John Bainbride described Dallas as "a city of the businessmen, by the businessmen and for the businessmen."³

Image makers of Dallas extoll values associated with the Protestant work ethic. Values such as material well-being, individualism, industriousness, and profit making are consistent with the work ethic. There is another side, however, to this industrious, all-American image of a community. Professor Reese McGee, former head of the sociology department at the University of Texas, claimed that, barring Mississippi, the assassination of President Kennedy was most likely to take place in Dallas. His reasons for this assertion were

1. The absolutist nature of local thought
2. The institutionalization of personalized violence
3. The proliferation of firearms and the habit of carrying them
4. The political respectability of the radical right
5. The nonexistence, publicly, of a radical left⁴

Aside from the Americans for Democratic Action (ADA) voting record of Dallas, which placed it among the most conservative cities in the nation, other factors add to Dallas's conservative image. These factors include the presence of several right-wing organizations, the content of editorials and letters to the editor in the local newspapers, and a hostility toward liberal politicians. Several nasty events contributed to Dallas's label as the "City of Hate."⁵ These events included

1. An unruly crowd jeering at then Senator Lyndon Johnson and his wife
2. U.N. Ambassador Adlai Stevenson's being hit and spat upon by a Dallas citizen
3. The assassination of President Kennedy

Violence has marred the image of moral uprightness that leaders of Dallas try to project. While Dallas residents claim that incidents such as those mentioned above could have happened anywhere, the fact of the matter is that the incidents occurred in Dallas. It is reasonable to assume that the political ideology or political culture of Dallas had something to do with these events. The conservative image of Dallas is reinforced by its power structure and politics. Shirley Achor claimed that the informal power structure of business elites in Dallas dominates most decision making.⁶ The formal power structure of council-manager government plays only a secondary role. Carol Thometz documented the view that "the informal power structure in Dallas was a pyramidal quasi-monolithic type, dominated by a select group of business elites."⁷

The most influential of the groups representing business elites was the Dallas Citizens Council, which was formed in 1937 and by 1970 was composed of 250 chief executives of the city's largest business firms. The Citizens Council operates through its control of individuals or committees. The Citizens Charter Association (CCA), the political arm of the Citizens Council, is the essential cog in establishing control. Achor described the power of the CCA as follows:

The CCA selects a business-endorsed slate of candidates for the City Council and backs them with expensive, professionally produced advertising campaigns. Both major newspapers consistently support the CCA slate, and then candidates consistently

win. Under the system of at-large elections, CCA candidates won a majority on the City council in every election except two in the early 1930s.⁸

This image of monolithic domination by one elite group is in contrast to the pluralistic image of New York City which is perceived to be too large to be controlled by any one group. New York is more likely to possess independent sovereignties of leadership, as described by Sayre and Kaufman.⁹ It is indisputable that the image of Dallas conjures up conceptions different from those conjured up by the image of New York. While Dallas's image may not always be positive, its association with economic growth is a source of pride to its residents. The economic growth of Dallas is discussed below.

Economic Growth

In 1910, the city and county of Dallas had fewer than 100,000 inhabitants and ranked 55th among the cities across the nation. According to the 1980 Census, the city of Dallas is now the seventh largest city in the nation and is still growing. The growth of Dallas developed dramatically in the 1940s as a result of the birth of the aircraft industry in the area. Like other communities in the Southwest, Dallas derived an economic stimulus from military installations during World War II. Unlike other communities, however, Dallas's economy expanded rapidly and grew even after the demobilization following the war.¹⁰

The growth of Dallas's economy has contributed greatly to its strong fiscal position. Peter Wilson stated that due to a booming local economy and cautious financial management, the city of Dallas was in excellent fiscal health.¹¹

It [Dallas] has a low unemployment rate, a low cost of living, an expanding job market, and a growing tax base. In per capita income, it ranks seventh highest among the 30 largest U.S. cities. At the same time its tax burden is light: an average moderate-income family pays about 7.4 percent of its income in state and local taxes, compared to a 9 percent average for the 30 cities as a group.¹²

Table 7-1 describes the burden placed upon Dallas's residents. This is a low tax burden compared to that for most cities.

Table 7-1

Estimated State and Local Tax Burden for a Family of Four, 1977

	Annual Income					
	\$7,500		\$15,000		\$30,000	
	Tax					
	Amount	% of Income	Amount	% of Income	Amount	% of Income
Dallas	\$546	7.3	\$1,116	7.4	\$2,270	7.6
Average for 30 Largest Cities	650	8.7	1,348	9.0	2,770	9.2

Source: Peter Wilson, The Future of Dallas's Capital Plant (Washington, D.C.: The Urban Institute, 1980), p. 4.

The low tax burden for the City of Dallas probably did not hurt its ability to expand its economic base. Between 1950 and 1970 total employment increased 87.1 percent compared to a decline of 2.6 percent in New York. Between 1954 and 1972 values added by manufacturing increased 278.1 percent compared to 73.6 percent in New York, and retail sales

increased 165.9 percent compared to an increase of only 66.1 percent in New York.¹³

Peter Wilson noted that during the 1970s much concern was focused on the fiscal crisis in American cities; yet only scant attention was paid to municipal success stories. The future of Dallas's capital plant was explored by Wilson in order to "seek out those cities that have effective public sectors and learn how they are able to maintain the quality of public plants."¹⁴

Wilson found that Dallas's success in managing capital assets was in part a by-product of its economic health. Dallas was able to channel a substantial share of its federal aid into capital spending and set aside enough revenues for capital spending to limit reliance upon debt. Both of these conditions are luxuries not affordable to declining cities such as New York. Wilson concluded that

It is sometimes suggested that the burden of financing new services and capital facilities in growing areas creates fiscal problems rivaling those of the declining central cities. This is certainly not the case in Dallas, nor, one suspects, in other cities in similar economic good health. . . . This study illustrates how greatly the condition of capital facilities differs in different cities. While conditions improve in cities like Dallas they worsen in many other cities. . . . For those cities, the Dallas experience should be instructive.¹⁵

The historical budget trends of Dallas are provided below.

Budget Trends

The behavior of budget revenues over the twenty-year period 1959 to 1979 is displayed in Figure 7-1 through Figure 7-5. Unlike in the case of New York City, Dallas's budgetary behavior evolved during a period of constant economic growth.

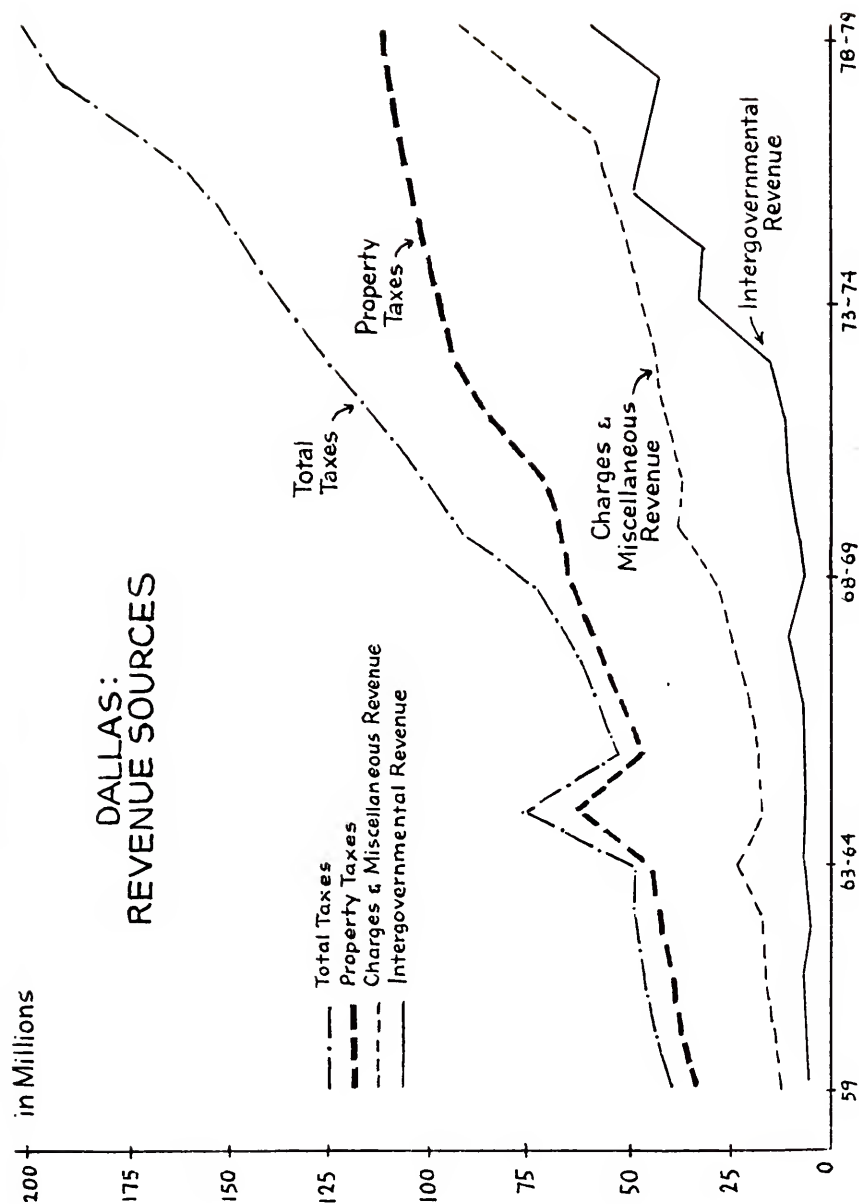


Figure 7-1. Dallas: Revenue Sources

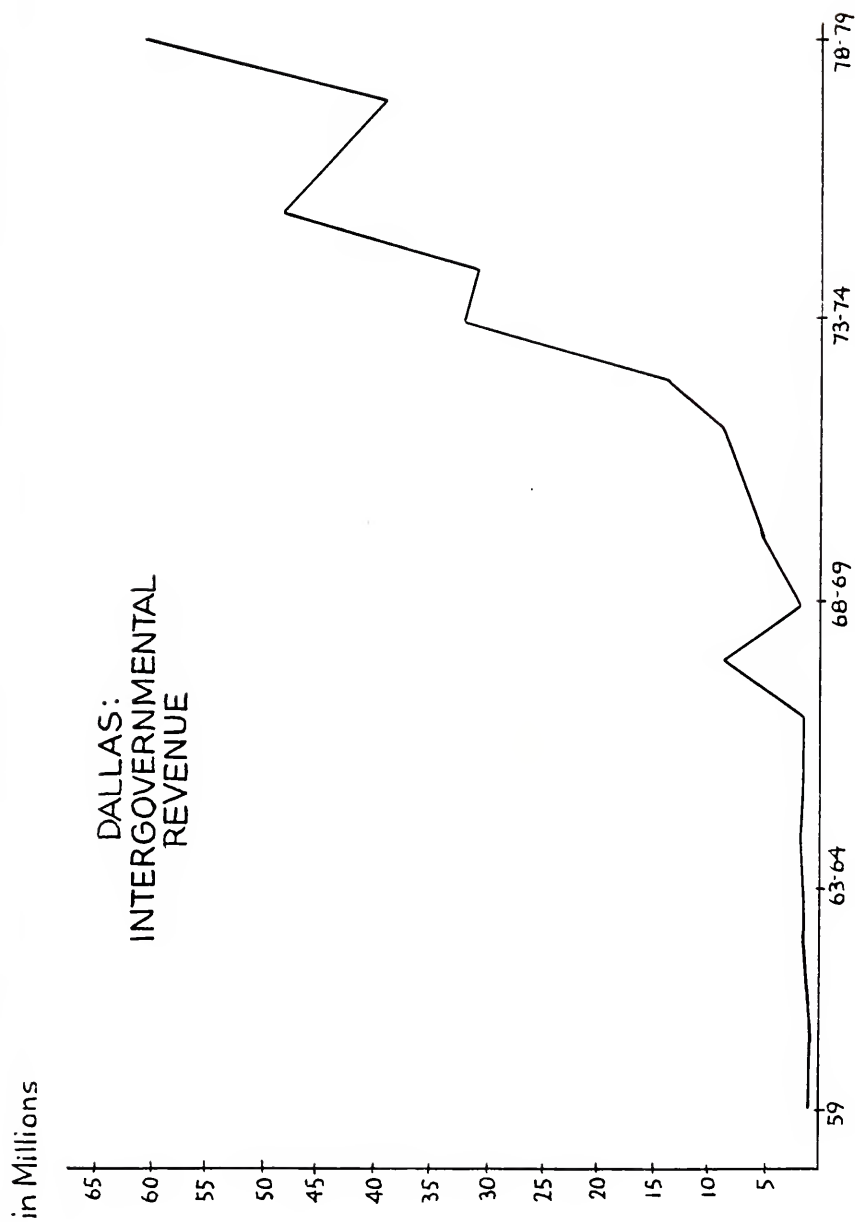


Figure 7-2. Dallas: Intergovernmental Revenue

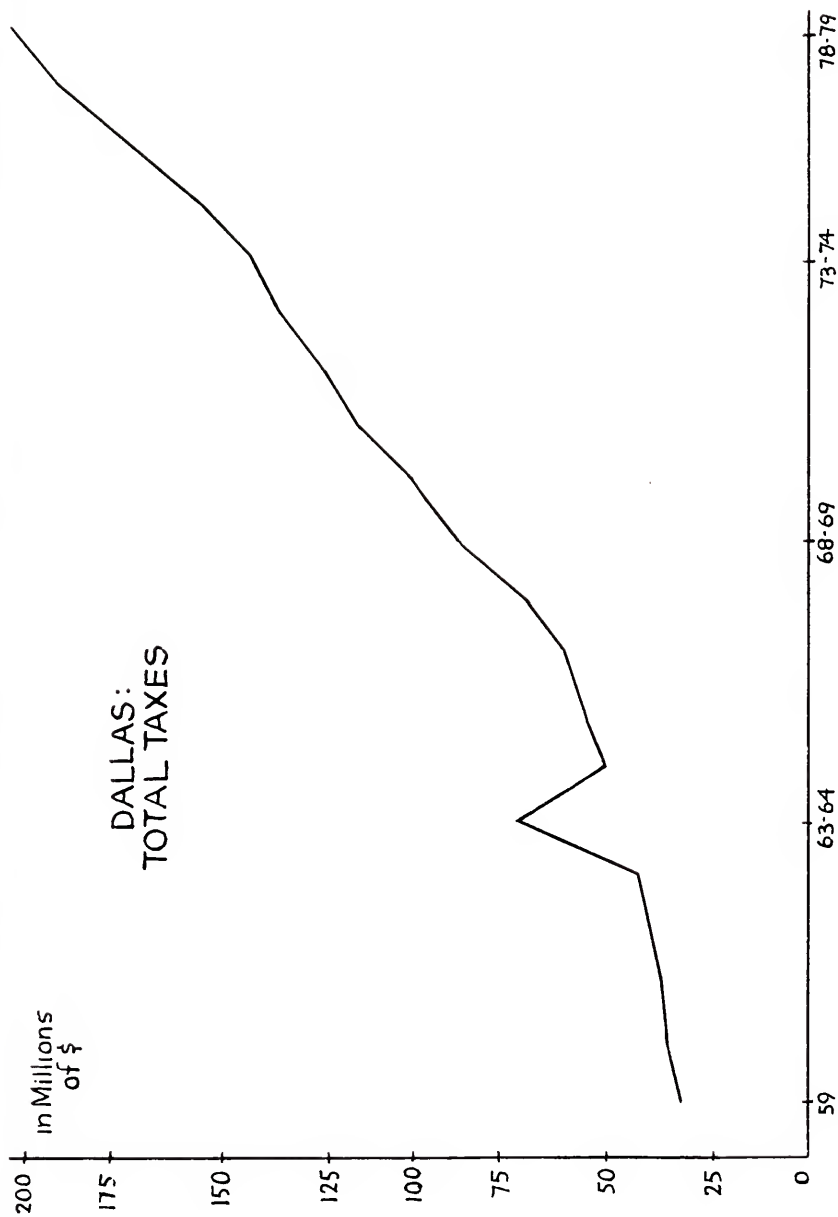


Figure 7-3. Dallas: Total Taxes

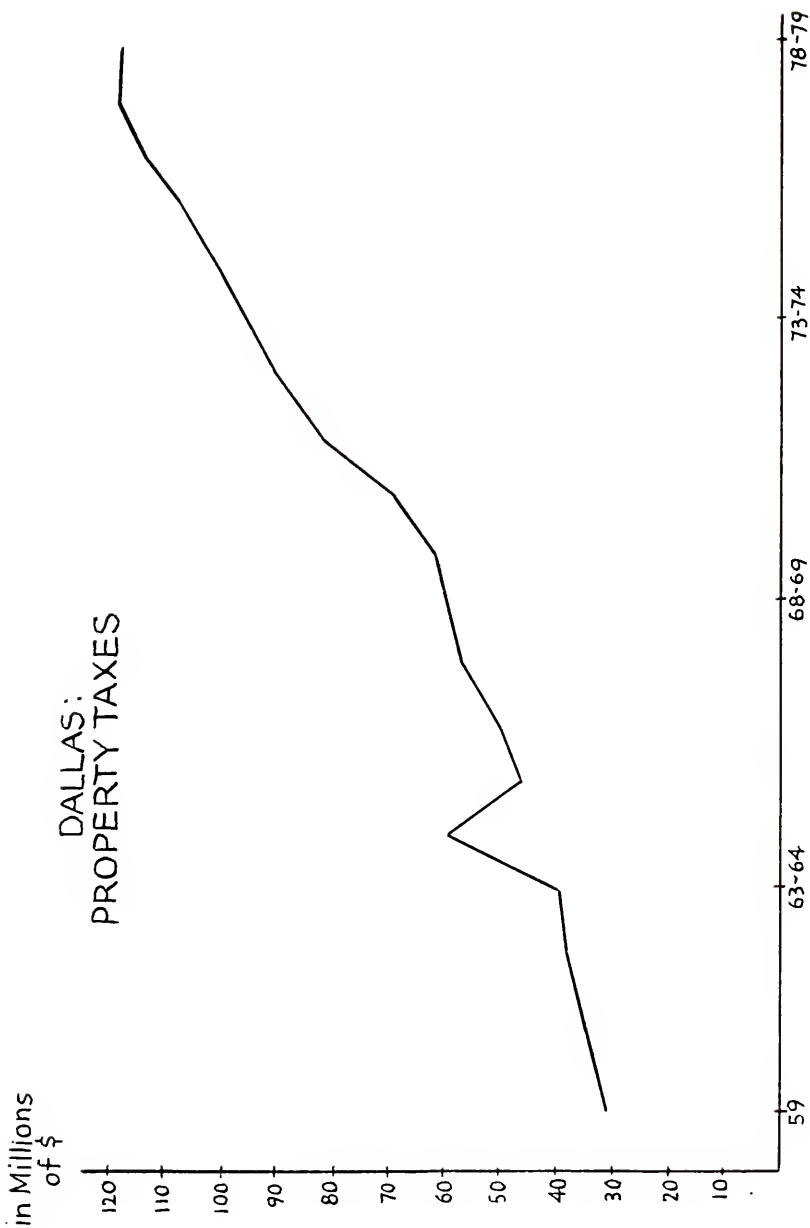


Figure 7-4. Dallas: Property Taxes

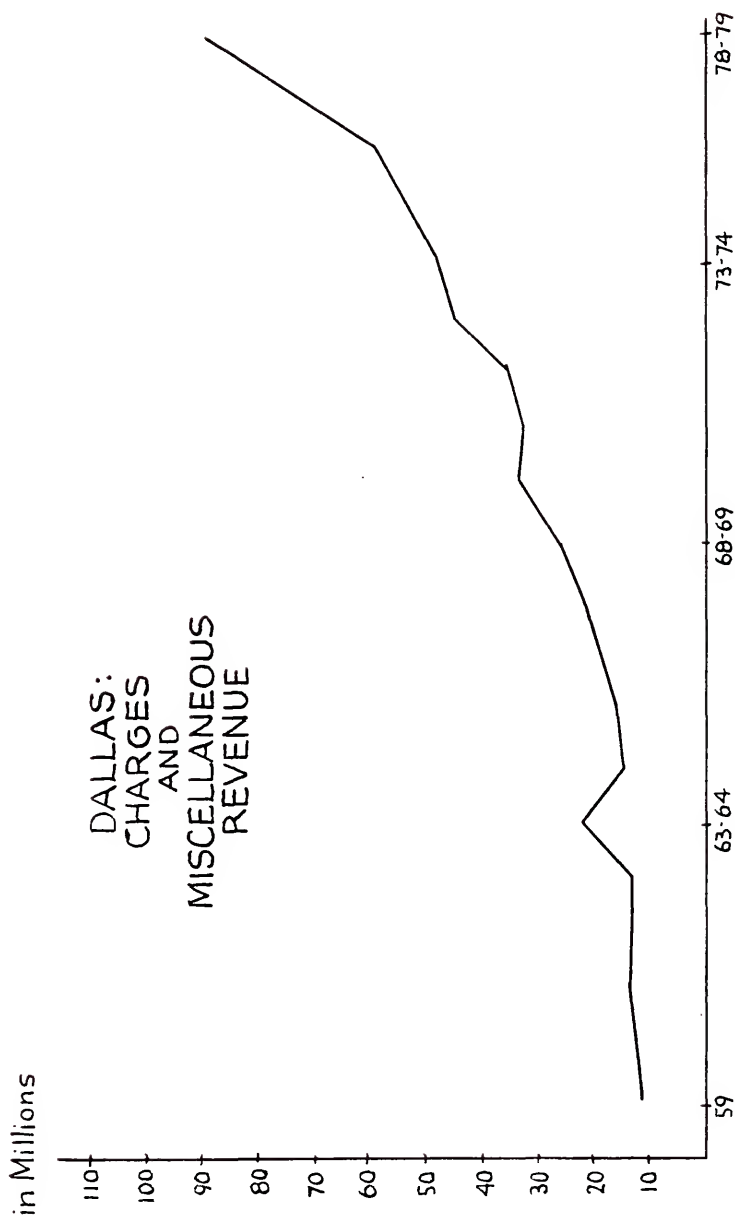


Figure 7-5. Dallas: Charges and Miscellaneous Revenue

Like New York City, Dallas experienced a cutback in expenditures during the recessionary period of the mid-seventies. Unlike New York City, however, Dallas experienced rapidly growing expenditures after the recession. In terms of its local budgets, New York City has not recovered from the recession of the mid-seventies.

Differences exist between the two cities in regard to the relative importance of expenditures. Social welfare spending represents the largest category of spending in New York City while it is not a factor in Dallas due to the assumption of public welfare, education, and other functions by the county of Dallas. Urban services, infrastructure, amenity, and overhead represent the largest expenditures in Dallas. This is similar to the relative importance of expenditures in New York City, except that the latter's overhead expenditures are greater than the levels of its amenity expenditures.

Infrastructure spending was the most volatile in both cities. Infrastructure suffered deep cutbacks in spending during the years of recession, and a sharp reinstatement of funds thereafter. This is consistent with the view that it is easiest to cut back from spending with large capital outlays; yet disinvestment from infrastructure cannot be carried out indefinitely. Revenue and expenditure categories between New York City and Dallas are compared below.

Relative Importance of Budget Variables

One would expect a great deal of difference to exist between the budget patterns of liberal New York City and conservative Dallas. Budgetary patterns for these two cities are compared below. First, the

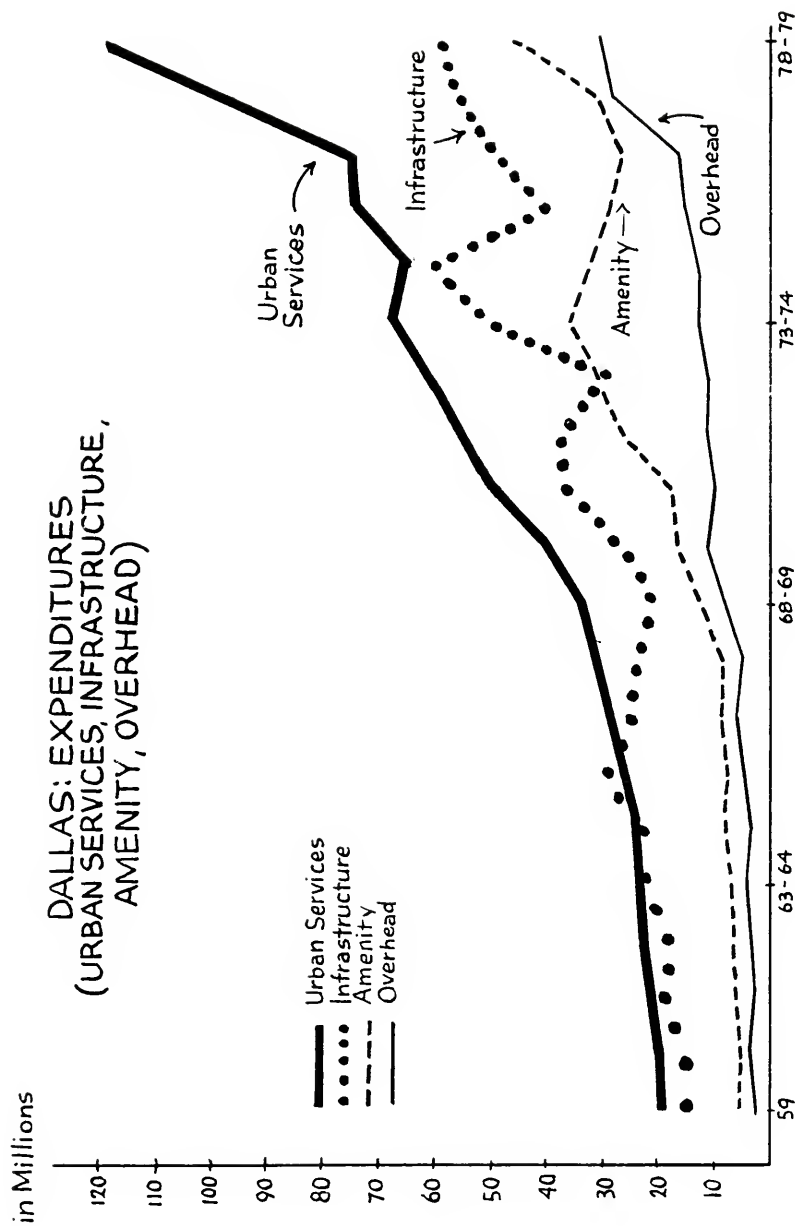


Figure 7-6. Dallas: Expenditures (Urban Services, Infrastructure, Amenity, Overhead)

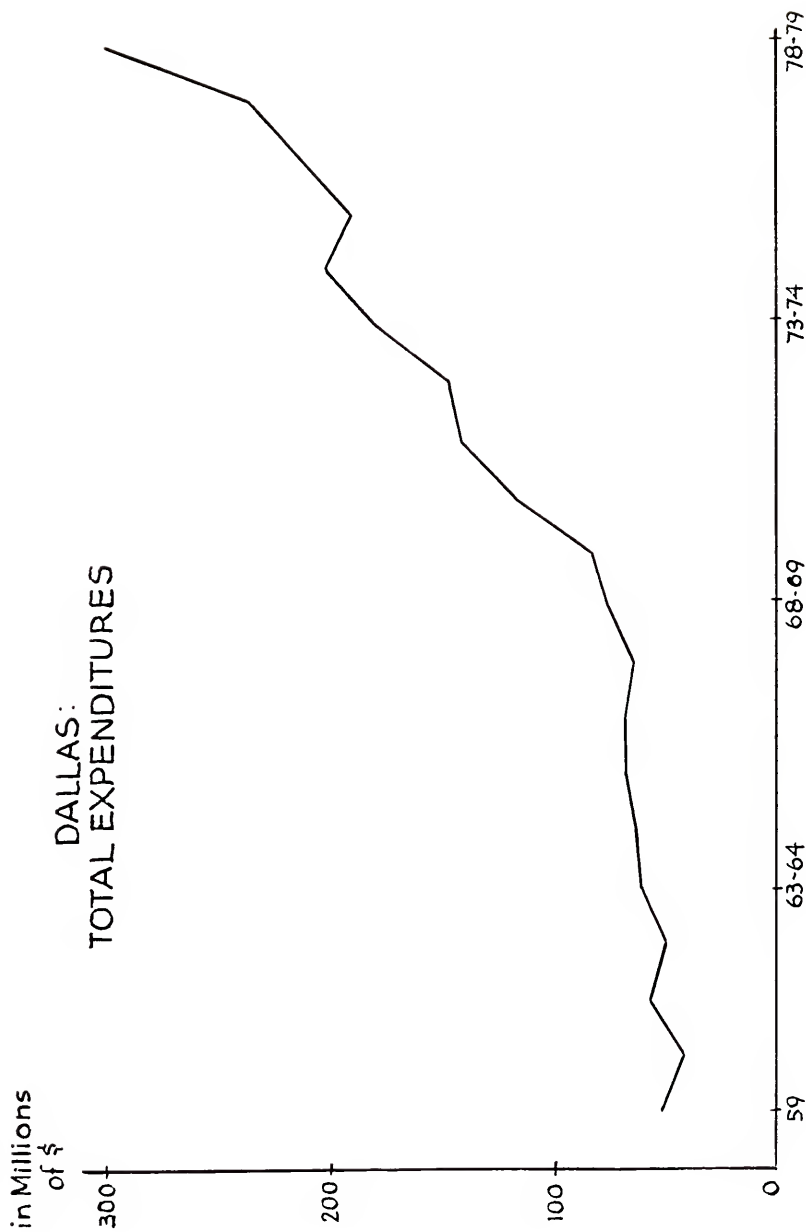


Figure 7-7. Dallas: Total Expenditures

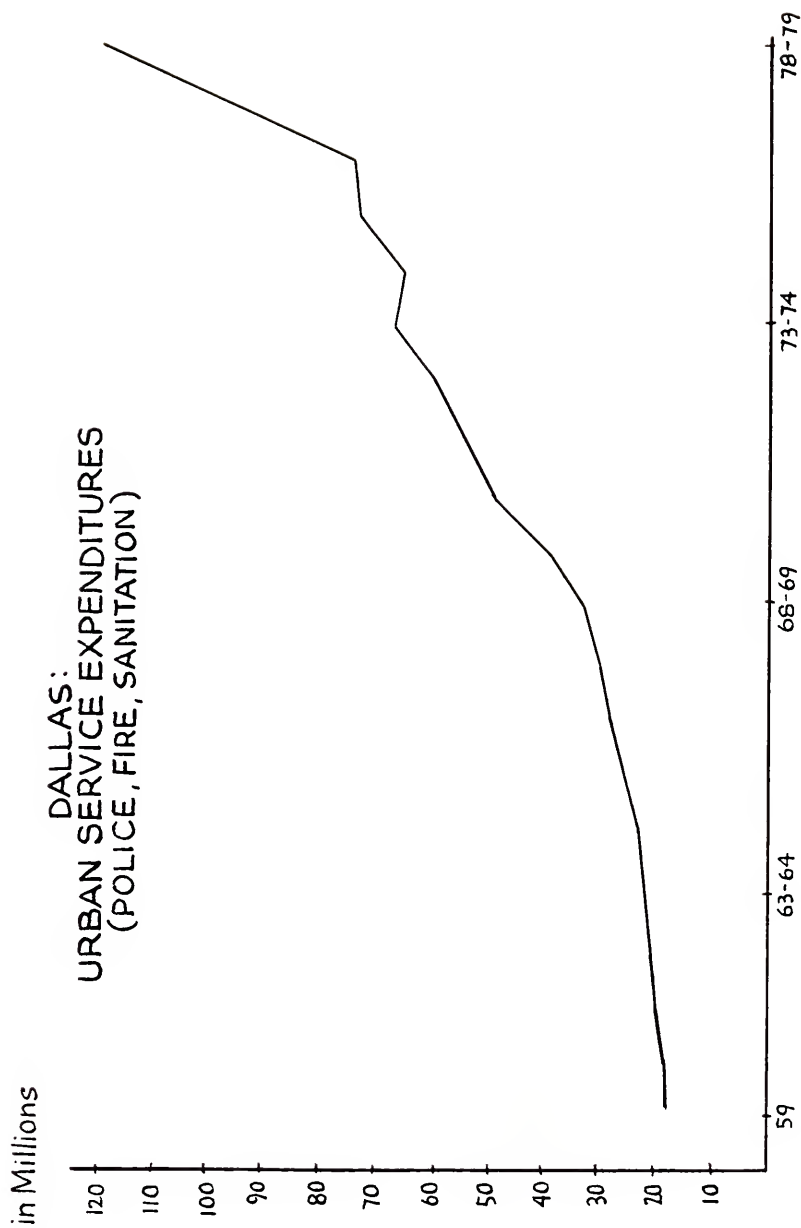


Figure 7-8. Dallas: Urban Service Expenditures (Police, Fire, Sanitation)

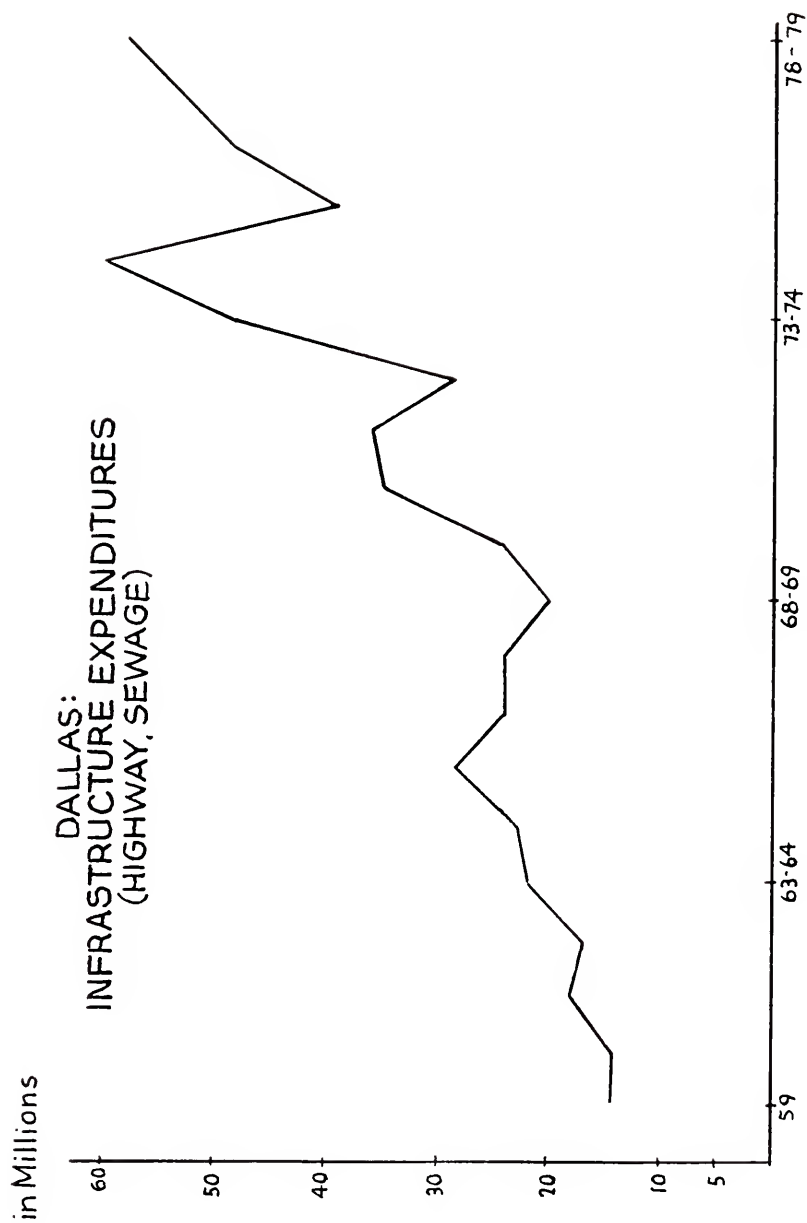


Figure 7-9. Dallas: Infrastructure Expenditures (Highway, Sewage)

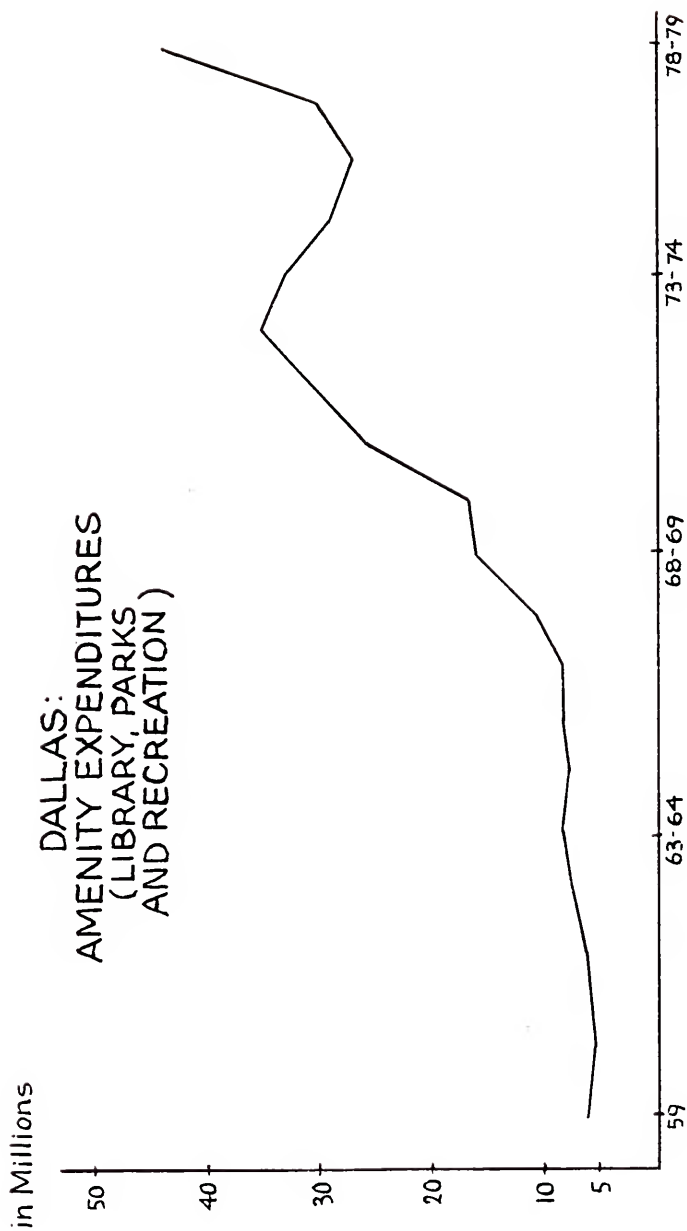


Figure 7-10. Dallas: Amenity Expenditures (Library, Parks and Recreation)

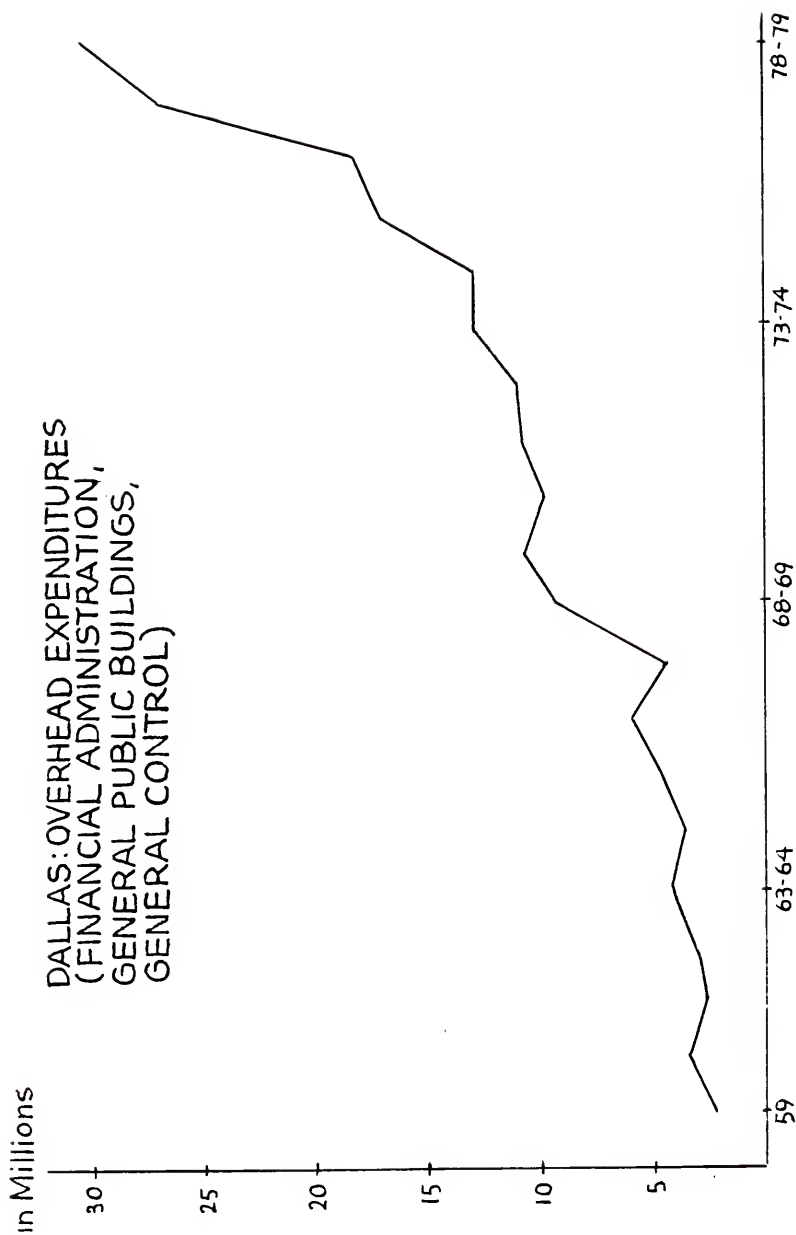


Figure 7-11. Dallas: Overhead Expenditures (Financial Administration, General Public Buildings, General Control)

relative importance of revenue sources and the change in relative importance of these sources is investigated.

Table 7-2

Change in Weight of Revenue Sources:
Dallas and New York City, 1959-79

Year	Intergovernmental Revenue		Total Tax Revenue		Charges and Miscellaneous Revenue	
	New York	Dallas	New York	Dallas	New York	Dallas
1959	23%	2%	64%	75%	13%	23%
1979	45	17	43	57	12	26
Change	+22	+15	-21	-18	-1	+3

Source: U.S. Department of Commerce, City Government Finances 1959-60: (Washington, D.C.: U.S. Government Printing Office, 1961); U.S. Department of Commerce, City Government Finances 1978-79. (Washington, D.C.: U.S. Government Printing Office, 1980).

Somewhat similar patterns are discovered in both cities, but a good deal of difference also exists. Intergovernmental revenue grew rapidly in both cities; however, the growth in New York City outpaced the growth in Dallas. In 1959, intergovernmental revenue constituted 23 percent of municipal revenue in New York; by 1979 it comprised 45 percent of all revenue, a net increase of 22 percent. In contrast, intergovernmental revenue in Dallas registered a 15 percent net increase between 1959 and 1979. These figures reflect the increased dependence of all cities on intergovernmental transfers and the greater dependence of liberal cities on these funds.

Given the increases in the relative importance of intergovernmental revenue, it is not surprising that dependence upon total taxes and property taxes has declined. The decline in the relative importance of total taxes was greater in New York City (21 percent) than the decline in Dallas (18 percent), while the decline in the relative importance of property taxes was greater in Dallas (30 percent) than in New York (21 percent). This can only be explained by the fact that nonproperty taxes grew at a faster pace in Dallas than in New York City. These taxes included (1) general sales and gross receipts and (2) selected sales and gross receipts. The selected taxes included levies on alcohol, motor fuels, public utilities, and tobacco. Based upon this information, it can be concluded that over the past twenty years Dallas has relied more heavily on nonproperty taxes than has New York City. These taxes are regressive since both rich and poor pay the same rate of taxation on items such as cigarettes and alcohol. The property tax is also considered regressive by many, but recently economists have suggested that it is less regressive than previously believed. Henry J. Aaron claimed that defects in property tax administration could be remedied and that the tax was not regressive.¹⁶

While New York City appears to have adopted a conservative strategy of limiting property taxes, the limitations on property taxes was even greater in Dallas. Furthermore, Dallas was more likely to depend upon the regressive selective taxes and to collect revenues from charges and miscellaneous.

An identical investigation of relative importance is explored in regard to expenditures for Dallas and New York City. The relative

Table 7-3
Change in Weight of Expenditure Categories: Dallas and New York City, 1959-79

Year	Social Welfare		Urban Services		Infrastructure		Amenity		Government Administration	
	New York	Dallas	New York	Dallas	New York	Dallas	New York	Dallas	New York	Dallas
1959	55%	-	17%	42%	20%	36%	3%	16%	5%	6%
1979	70	-	13	47	11	23	3	18	3	12
Change	+15	-	-4	+5	-9	-13	0	+2	-2	+6

Source: U.S. Department of Commerce, City Government Finances 1959-60 (Washington, D.C.: U.S. Government Printing Office, 1961); U.S. Department of Commerce, City Government Finances 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980).

importance of these expenditures is delineated in Table 7-3. A number of differences and similarities are observed in the analysis of Table 7-3. New York City spent a majority of its funds on social welfare categories (public welfare, education, health, and hospital), while Dallas did not assume responsibility for these functions. Increases in the relative importance of social welfare spending in New York was offset by decreases or no change in the relative importance of all other categories of spending. The relative importance of three of its four expenditure categories increased in Dallas, only infrastructure suffering a decline in relative value.

In both Dallas and New York City, declines in the relative importance of infrastructure spending was the greatest, 9 percent in New York and 13 percent in Dallas. These declines are consistent with the scenario of disinvestment from categories with heavy capital outlays. In many cities infrastructure is in a severe state of decline because of this disinvestment from roads, highways, and bridges reflected in the slow growth of highway expenditures.

It is difficult to make comparisons between New York City and Dallas because of the tremendous difference in social welfare responsibilities between the two cities. For this reason, an analysis of per capita expenditures is delineated in Table 7-4. Table 7-4 describes per capita expenditures for each of the five categories of spending. Percent differences between per capita spending in both cities, for each category of spending, and the rate of growth in per capita expenditures for each category.

Table 7-4
Growth of per Capita Expenditures: Dallas and New York City, 1969-79

Year	Social Welfare		Urban Services		Infrastructure		Amenity		Government Administration	
	New York	Difference	New York	Dallas	New York	Dallas	New York	Dallas	New York	Dallas
1959	\$133		\$ 42	\$ 25	\$ 48	\$22	\$ 9	\$ 9	\$11	\$ 4
1979	927		176	140	143	69	32	52	45	36
Growth	597%		319%	460%	198%	214%	256%	478%	309%	800%

Source: U.S. Department of Commerce, City Government Finances 1959-60 (Washington, D.C.: U.S. Government Printing Office, 1961):
ment of Commerce, City Government Finances 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980).

During 1979, per capita expenditures for urban services, infrastructure, and government administration was higher in New York City, while per capita expenditures for amenities was higher in Dallas. The differences between per capita expenditures in New York City and Dallas in 1959 and 1979 are computed in Table 7-4. For example, in 1959, per capita urban service expenditures were \$42 in New York City and \$25 in Dallas, or 68 percent higher in New York City. In 1979, per capita urban service expenditures were 26 percent higher in New York, compared to 68 percent in 1959. This decline in per capita difference between Dallas and New York reflects a convergence between the two cities over time. This phenomenon of convergence was also discovered with regard to infrastructure and government administration expenditures. Reductions in the difference between per capita expenditures in 1959 and 1979 are presented in Table 7-4.

Index of Relative Success

An index of relative success was developed in this study in order to compare the growth of expenditures between the various agencies of government. This index describes the comparative successes of agencies in their efforts to secure public funds. In order to calculate the index, the growth of general expenditures is subtracted from the growth of a particular agency's expenditures and divided by 100. For example, in New York City, health expenditures grew at a rate 130 percent faster than the growth of general expenditures during the period 1959-79. This is reflected in the score on the index of relative success of +1.30 found in Table 7-5. Positive scores on the index reflects categories of expenditures that have grown at a faster pace than general

expenditures; negative scores on the index reflect the opposite. Table 7-5 delineates the relative success of individual municipal agencies in both Dallas and New York City.

Table 7-5

Index of Relative Success: Dallas and New York City, 1959-79

Category	Score of Index of Relative Success	
	New York	Dallas
Public Welfare	+4.99	-
Health	+1.30	-
Corrections	- .37	-
Hospitals	- .66	-
Education	- .71	-
Sewage	-1.39	-1.39
Police	-1.44	+2.29
Libraries	-1.47	+3.42
Fire	-1.67	- .66
Financial Administration	-1.93	+1.84
Parks and Recreation	-2.56	+ .53
Sanitation	-2.58	+1.11
General Control	-3.08	+1.45
Highways	-4.10	-2.28

General Comparison of Both Cities

The most obvious difference between the two cities were the phenomenal growth of public welfare expenditures in New York City, and the below average growth of almost all other expenditure categories. Dallas's growth patterns were more balanced: six categories grew at a pace faster than general expenditures and four categories grew at a slower pace. Differences existed between the growth rates of most expenditure categories; however, similarities existed with regard to highway expenditures. In both cities highway expenditures grew at the slowest pace.

There is some evidence of a convergence of budgetary behavior in Dallas and New York City. Liberal cities such as New York are perceived to be associated with high taxes, high dependency on intergovernmental revenue, high debt, and high general expenditures. For the most part, this perception is correct and was verified by the data (see Appendix B). Patterns of budgetary growth, however, portray a different picture.

While per capita general revenues, per capita general expenditures, and per capita intergovernmental revenue are still higher in liberal cities, the growth of these variables over the past twenty years was higher in conservative cities. Growth of general expenditures, intergovernmental revenue, and adjusted debt was higher in Dallas than in New York City for the period under investigation (see Appendix C).

Other evidence exists of a convergence between liberal and conservative cities. Cities such as New York (which are considered to be liberal based upon votes of representatives on key ideological issues) have recently been initiating conservative economic policies. Based upon

a personal interview with the deputy comptroller of New York City, it appears that the city has aggressively tried to attract private enterprise through various tax abatement programs. The city has been successful at revitalizing parts of downtown Manhattan through these tax abatement plans. It has adopted the supply-side strategy of increasing economic growth through limitations on taxes.

The fiscal crisis in New York City, described in Chapter 6, is an example of a budgetary issue of importance to liberal cities; namely, how to support large levels of municipal expenditures with a shrinking economic base. The fiscal crisis of 1975 awakened municipal leaders to the fact that expenditure growth had to be curtailed. There is evidence that budgetary policies in New York City are moving in a more conservative direction. A recent budgetary issue in Dallas provides some evidence that there may be a convergence of views toward municipal finance in liberal and conservative cities. This issue (tax revolt) is described below.

Tax Revolt Issue

Fiscal problems in Dallas differed from the problems experienced by New York City. In New York expenditures increased more rapidly than revenues. The city borrowed heavily in order to finance growing costs, and, when the city could no longer borrow, it was forced to reduce expenditures. Per capita expenditures and per capita taxes in Dallas are considerably lower than in New York City. Nevertheless, tax reform became an issue in Dallas. The tax revolt fever which began with California's Proposition 13 in 1978 reached Dallas by 1981.

The Tax Equality Association (TEA) party mobilized support in their efforts to slash taxes by nearly 30 percent. The TEA party sought to slash the city's tax rate from 56 cents per \$100.00 of assessed valuation to 40 cents per \$100.00 of assessed valuation. It also sought to place a 5 percent ceiling on annual tax increases as a result of re-appraisals.¹⁷

The TEA measure was defeated by a 2-1 margin, but a clear message was sent to city hall that residents were concerned about taxes. City officials continued to deal with the issue of tax reform even after the TEA measure was defeated. Following the defeat of the tax measure in 1981, a council member, Steve Barttelt, introduced a bill that would enable the city to grant a 20 percent homestead exemption to all homeowners and place a 10 percent ceiling on tax increases caused by revaluation. Barttelt claimed that these measures could provide more long-range relief than the original TEA proposition. He believed that the city of Dallas was under pressure to adopt alternative means of tax relief since the initial tax relief measure was defeated.

Dallas felt the need to inaugurate austerity programs in 1981 because its officials had miscalculated revenues and expenditures. Residents were asked to offer suggestions as to how money could be saved. They presented the following suggestions:

1. Create a commuter tax for suburban residents.
2. Establish coin operated lights on tennis courts so users could pay as they go.
3. Issue more citations for literers.
4. Use smaller police cars.¹⁸

It is interesting that a tax revolt referendum would arise in a municipality with relatively low taxes. A Dallas Chamber of Commerce study

noted that the combined state and local tax burdens of Dallas were the second lowest among 19 major U.S. cities. It is normal, however, to expect a conservative city such as Dallas to resist paying taxes and also to resist a large public sector.

More significant than the fact that a tax revolt arose in Dallas is the fact that the referendum was soundly defeated. This is an indication that residents of Dallas were willing to pay current tax rates and possibly even higher rates. In New York City, in the late seventies, there was a sharp leveling off of tax rates and an indication that the city was unwilling to raise its tax rates. This is further evidence of a budgetary convergence.

Summary

This chapter has compared the fiscal behavior of Dallas with the fiscal behavior of New York City. A priori, one would expect that the differences in political ideology between the two cities would be translated into differences in budgetary behavior. This indeed is verified by the data that reveal per capita taxes, revenues, and expenditures to have been much higher in the liberal city of New York. Size and scope of government were greater in New York City; yet the experience of the past few years is contradictory in that the growth of budget variables has actually been greater in conservative cities such as Dallas. Some evidence of a convergence exists. This evidence is delineated in Table 7-6.

Growth of budget variables in Dallas outpaced the growth in New York City between 1975 and 1979. This fact provides evidence of a

convergence between the two cities in terms of size of government and tax policy. An interview with the deputy comptroller of New York City, Paul O'Brien, confirmed the movement toward conservative budget policies in New York. According to O'Brien, New York was not only cutting back expenditures but also attempting to stimulate economic activity through supply-side incentives to private enterprise. Voters of Dallas, on the other hand, displayed a willingness to pay at least present levels of taxes by defeating a referendum aimed at rolling back property taxes. Both of these events (conservative economic policy in New York and defeat of the tax referendum in Dallas) provide additional evidence of a budgetary convergence between the two cities.

Table 7-6

Growth in Budget Variables:
New York City and Dallas, 1975-76 to 1978-79

Year	Property Taxes		Taxes		General Expenditures	
	Dallas	New York	Dallas	New York	Dallas	New York
1975-76	\$121	\$401	\$176	\$741	\$282	\$1,716
1978-79	140	433	237	841	410	1,619
Growth	16%	8%	35%	13%	45%	-4%

Source: U.S. Department of Commerce, City Government Finances 1975-76 (Washington, D.C.: U.S. Government Printing Office, 1977); U.S. Department of Commerce, City Government Finances 1978-79 (Washington, D.C.: U.S. Government Printing Office, 1980).

Notes

¹Sam Acheson, Dallas Yesterday (Dallas: Southern Methodist University Press, 1977), p. iv.

²Ibid., p. ix.

³John Bainbridge, The Super-Americans (Garden City, N.Y.: Doubleday, 1961), p. 145.

⁴Warren Leslie, Dallas Public and Private (New York: Grossman Publishers, 1964), p. 12.

⁵Shirley Achor, Mexican Americans in a Dallas Barrio (Tucson: University of Arizona Press, 1978), p. 54.

⁶Ibid., p. 59.

⁷Carol Thometz, The Decision Makers: The Power Structure of Dallas (Dallas: Southern Methodist University Press, 1963).

⁸Achor, 61.

⁹Wallace Sayre and Herbert Kaufman, Governing New York City (New York: Russell Sage, 1960).

¹⁰Achor, 263.

¹¹Peter Wilson, The Future of Dallas Capital Plant (Washington, D.C.: The Urban Institute, 1980), p. 3.

¹²Ibid., p. 4.

¹³Data are presented in Appendix C.

¹⁴Wilson, ix.

¹⁵Ibid., p. 42.

¹⁶Henry V. Aaron, Who Pays the Property Tax? A New View (Washington, D.C.: Brookings Institution, 1976).

¹⁷Henry Tatum, "City Voters Demand True Tax Reforms," Dallas Morning News, January 18, 1981.

¹⁸Henry Tatum, "Citizens Go to Phones to Offer Budget Ideas," Dallas Morning News, February 10, 1981.

CHAPTER 8 CONCLUSIONS

Basic Concerns of Study

A basic concern of this study focuses upon exploring the influences of political ideology on policy outputs and outcomes. Policy outcomes were observed by investigating the performance of socioeconomic variables, while policy outputs were measured by examining budgetary allocations in municipalities. The different patterns of budget allocations (outputs) and the differences in performance of socioeconomic variables (outcomes) between groups of cities, identified on the basis of political ideology, were discovered through empirical analysis.

Daniel Elazar's view of political culture bears great similarities to this study's conceptualization of ideology. Elazar claimed that culture is a way of thinking, feeling, and believing that not only is learned but also involves selective learning.¹ Elazar further concluded that culture had a definite impact on political variables such as participation, development of bureaucracy, and amount of government intervention. This dissertation maintains that political ideology, as political culture, reflects a way of thinking, feeling, and believing that has a definite impact on the development of policy outputs and outcomes. Concern centers not only around the empirical distinctions between liberal and conservative cities, but also around the differences in values and strategies employed by both ideological groups.

Findings of Research

A number of discoveries, both anticipated and chance, have been ascertained in this dissertation. It appears that all cities (both liberal and conservative) display evidence of negative changes in the demographic composition of residents. The data indicate that cities are increasingly becoming the refuge of minorities and the elderly. All cities experienced some growth in minority population over the past twenty years, while a majority of cities experienced some growth in the proportion of elderly residents. The proportion of elderly and the growth of minority populations were statistically higher in liberal cities.

The investigation of budget outputs in Chapter 5 also revealed some interesting insights. Per capita expenditures in 1978-79 were higher in liberal cities for a majority of expenditure categories.² However, growth in per capita expenditures in conservative cities over the past twenty years outpaced the growth rates in liberal cities.³ This trend demonstrates an interesting phenomenon. There appears to be somewhat of a convergence of municipal expenditures in liberal and conservative cities. While per capita costs are still, for the most part, higher in liberal cities, the gap will eventually close if current trends continue.

Further evidence of this convergence theory is provided in the case studies of New York and Dallas. After the fiscal crisis of 1975, New York embarked upon an austerity program where deep cuts in spending were enacted. In addition to this conservative spending behavior, the city began to adapt conservative economic programs. A vigorous effort

was made to attract businesses to the city through a program of tax abatement and other incentives. Parts of downtown Manhattan were revitalized through these conservative economic strategies.

Dallas's image as a conservative city is probably as strong as New York's image as a liberal city. In fiscal year 1978-79 per capital general expenditures in Dallas were less than 63 percent of the general expenditures for comparable services in New York City. However, general expenditures grew by 30 percent more in Dallas than in New York over the period of analysis. Further evidence of convergence is illustrated by the defeat of the Tax Equality Association (TEA) party referendum calling for tax reductions of nearly 30 percent in 1981. The defeat of this measure, aimed at lowering taxes and reducing the scope of government, can be interpreted as a repudiation of those wishing to further reduce the size of government.

Explanations of why convergence is occurring are numerous. Liberal cities may have been forced to stop expanding services due to the fact that they were limited in the amount of revenue that they could raise. Liberal cities were fearful of raising taxes because of the negative effects tax increases might have on the economic base. These cities were also more dependent upon federal and state transfers. As a result of this dependency, they were more severely affected by the slowing in the growth of federal aid. Conservative cities have, for the most part, experienced economic growth. They could increase government services without worrying about their economic base. New residents also put pressure on existing services and created demands for additional public services. Also new residents from the snowbelt may bring with them

liberal political values and philosophies which eventually may force conservative leaders to modify their positions.

The chance discovery, or serendipity, has always occupied a respected place in science. Abraham Kaplan claimed, however, that the luck find must be appreciated, noticed, explored, and interpreted in order to be a "find" at all.⁴ Discussion of one such find in this study is warranted. It was discovered that, while politically San Jose was characterized as liberal and New Orleans conservative, the socioeconomic data of both cities contrasted with the data on other cities in their ideological groups. In contrast to the large increases in total employment experienced by most conservative cities, total employment between 1950 and 1970 actually declined in New Orleans. New Orleans' trends in population growth, proportion of elderly, and proportion of minority residents also differed from the experiences of other conservative cities. Demographic and economic patterns in New Orleans, in short, were more closely related to the declining patterns of liberal cities. The economic and demographic trends in San Jose, on the other hand, closely resembled trends in conservative cities.

Precisely why these cities are anomalies is beyond the scope of this study. Exploration of factors contributing to this anomalous phenomenon is a fruitful area for future research. This dissertation has focused upon political ideology as an explanation of differences between cities. Other explanatory variables have been employed to explain intercity variation. Interparty competition, political participation, unionization, size, region, ethnic composition, and age are explanatory variables that have been investigated in the past.⁵

Differences in outputs and outcomes (between groups of cities differentiated according to political ideology) were identified in this study. The magnitude of difference between specific budget outputs and specific socioeconomic variables was ascertained. Identification of distinctions between groups of cities identified on the basis of ideology, however, does not prove causality. This study has been satisfied in identifying the fact that differences in fact do exist, and in proving a measure of the magnitude of difference.

Precisely why differences exist between the two groups is a subject for future research. A wide number of factors may be related to different demographic and economic growth rates in conservative and liberal cities. These cities are for the most part younger, at an earlier stage of economic development, located in "right-to-work" states, have greater amounts of available land at their fringes, and located mostly in the sunbelt. Each of these factors may be important in determining why differences exist between the groups of cities. The strength of these factors, as well as the strength of ideology, in determining demographic and economic changes can be determined by application of multiple correlation analysis. Multicollinearity, however, may present a problem as well as the problem created by unmentioned variables in fact causing the relationship. These problems must be addressed in future research if a more in-depth analysis of why the relationship exists is explored.

Thomas Dye investigated the impact of taxing, spending, redistribution, warmth and sunshine, historical development, unionization, and size on economic growth. In an examination of the simple bivariate

relationships between economic growth in states and the index of redistribution in those states calculated by Booms and Halldorson, Dye found that a significant negative correlation existed.⁶ A significant negative correlation also existed between unionization and economic growth. Both of these measures, one can argue, are surrogates of ideology. These surrogate measures of ideology were more significant than variables such as warmth and sunshine. The findings of Dye cast doubt on the simple sunbelt-snowbelt type of analysis postulated by Kirkpatrick Sale.

The question of independent determinants of economic growth is complex. In the past, classical economists attributed economic growth to one or more of the factors of production, such as land, labor, and capital. Today, classical economists attribute growth to factors such as the skill of the labor force (labor) and technological advances which increase the productivity of capital (capital). Dye maintains that these factors are affected by the political environment which includes cultural mores, attitudes toward work, propensities to save, barriers to competition, receptivity to technological change, and other matters. He asserts that all of these attitudinal, cultural, or ideological factors affect growth. This study agrees with Dye's contention that cultural and ideological values have an effect on socioeconomic variables such as growth.

This study, being exploratory in nature, does not address the issue of causality as does Dye's study, but rather demonstrates that differences do in fact exist between ideological groups. Specific findings of this study include the following facts:

1. Outcomes and outputs differ significantly between ideological groups.
2. While all cities are experiencing some forms of decline, the declines in liberal cities are significantly greater than the declines in conservative cities.
3. One city in each ideological group exhibits characteristics different from the rest of the cities with similar ideologies.
4. Liberal and conservative cities are converging in terms of budget behavior. Growth of per capita spending in conservative cities is actually more robust than that in liberal cities.

In addition to these specific findings, two methodological procedures have been developed. These procedures may be utilized in future analysis in order to compare budgetary behavior and municipal budgets in general.

They are

1. A means of describing the extent of incrementalism in budgeting or the strategy employed by the municipality (across the board or targeting expenditures). This procedure is described in greater detail in Chapter 5.
2. A means of comparing budget variables in cities with noncomparable levels of services. This problem has always plagued comparative urban analysis. Chapter 5 discusses some methods of addressing these problems.

The finding that one city in each ideological group exhibited anomalous behavior is of interest. When San Jose and New Orleans were omitted from the analysis, very distinct differences between liberal and conservative

cities were discovered. Liberal cities had lower levels of white population and higher levels of elderly population.⁷ Growth of socioeconomic variables also differed significantly between liberal and conservative cities. Population in liberal cities actually declined by 2.3 percent between 1950 and 1975 while the population in conservative cities grew by 154 percent! The white population in liberal cities declined by 19.2 percent compared to a more modest decline of 5.6 percent in conservative cities. The elderly population grew almost 28 percent faster in liberal cities than in conservative cities. Total employment in liberal cities actually declined by 1 percent while total employment increased by 128.2 percent in conservative cities. Value added by manufacturing and retail sales also grew at slower rates in liberal cities than in conservative cities.

The greater decline in socioeconomic variables in liberal cities is reflected in the bond ratings of cities. A statistically significant difference between the changes in bond ratings for liberal and conservative cities was discovered. Conservative cities were likely to have an improvement in their bond rating while liberal cities were likely to see their ratings deteriorate. As a result, liberal cities were forced to pay higher rates of interest for their loans.

Policy distinctions between liberal and conservative cities were also identified. Even after revenues and expenditures were adjusted for noncomparable levels of service, budgetary differences were discovered between liberal and conservative cities.⁸ Liberal cities were characterized by statistically higher levels of per capita general expenditures, per capita intergovernmental revenue, and per capita police expenditures.⁹

Speculation as to the factors explaining these differences are numerous. We would expect liberal cities to be more amenable to a large public sector which is characterized by high per capita general expenditures. Interestingly, these high levels of general expenditures have been fueled by large amounts of intergovernmental transfers. Per capita revenues generated by the city's own sources (taxes, charges, and miscellaneous revenue) were not significantly higher in liberal cities. Factors behind the higher levels of intergovernmental revenue received by liberal cities may include greater professionalism, greater political leverage, greater need, or greater willingness to seek outside funds. Whether any of these or other facts relate to the higher level of intergovernmental transfers provides another area of future inquiry.

Intuitively one might mistakenly expect conservative cities, due to their concern for law and order, to expend more money per capita on police functions than liberal cities. A possible explanation for this misperception may be attributed to the relative importance of expenditures. Liberal cities are more likely to expend resources on social welfare functions such as education and public welfare. As a result, the importance of police expenditures is diminished in the municipal budget. Conservative cities, on the other hand, do not assume responsibility for social welfare functions; therefore, police expenditures constitute a larger proportion of the budget. While per capita police expenditures are relatively high in liberal cities, such as New York, the perception of high police costs is negated due to high social welfare expenditures.

Implications of higher levels of expenditures in liberal cities fueled by intergovernmental transfers are bad for liberal cities. Given

the present conservative mood (reduce the scope of government) and the diminished political power of cities due to population shifts, it is unlikely that cities can continuously depend upon others (intergovernmental aid) to provide assistance. A recent draft report prepared by the Department of Housing and Urban Development argued that, in the past, federal aid to the cities actually contributed to their decline, and called for sharp cutbacks in such aid.¹⁰ This draft reflects the sentiments of E. S. Savas, Assistant Secretary for Policy Development, and Robert Carleson, a Reagan domestic policy advisor. If these sentiments are implemented, liberal cities (which have experienced negative socioeconomic trends) will be faced with serious reductions in expected revenues. Cities in greatest need and with the greatest dependency on outside funds will be most affected.

A method of comparing budget strategies was also developed. Differences in the amount of growth of individual budget variables illustrate the type of budget strategy employed by a particular city or group of cities. Two strategies compared are the across-the-board strategy and the targeting strategy. These strategies reflect two contrasting views of budgeting. One view is that, in the name of equity, increments or decrements to a budget should be allocated in an equitable manner, each spending category receiving a fair share allocation. This concept of fair share is derived from Aaron Wildavsky's expectation that a spending unit will receive some equitable portion of increases or decreases in aggregate expenditures.¹¹ The other view of budgeting reflects a concern for efficiency rather than equity. Charles Levine stated that an across-the-board strategy does not represent a responsible

management approach since all agencies do not contribute equally to the goals, purposes, and functions of government.¹² Whether more of an across-the-board or targeting strategy is employed can be ascertained by comparison of expenditure growth variance between cities or groups of cities. Means of comparing strategies are discussed in Chapter 5.¹³

Differences between liberal and conservative cities have been empirically explored in this dissertation. The differences relate to larger, more fundamental philosophical differences between these two ideologies. The larger differences reflect different values, thought processes, and ways of life. The profound differences between liberal and conservative ideologies relate to the major themes running through this dissertation.

Underlying Themes

Dynamic vs. Static View of Budgeting

In addition to the specific findings enumerated above, a few broad underlying themes run through this dissertation. The investigation of budgetary change is a major concern of this study. It is believed that distinct changes in budget allocations reflect changes in priorities which may be traced to changes in philosophical beliefs of decision makers.

Incrementalism has for some time been described as the dominant mode of budgeting.¹⁴ The incremental view of budgeting, however, only reifies the status quo; it focuses upon stability of budgeting while real changes in priorities, that can be observed over time, are obscured. It is believed that exploration of the marginal changes in budget allocations is fruitful in order to understand changes in the budgetary status quo that occurs over time.

Chapter 5 delineated the rates of growth of budget variables over the past twenty years. The incremental view of budgeting maintains that year-to-year changes in allocations are small; therefore, allocation shares between spending units should remain constant and the status quo maintained. Growth rates of individual spending units, however, differed dramatically. For example, over the past twenty years, public welfare expenditures grew 469 percent faster than the average growth of all expenditures. Highway and sanitation expenditures grew 319 percent and 202 percent slower than the average growth of all expenditures over this time period. These data represent a real change in allocation priorities that cannot be adequately explained by the incremental model of budgeting.

An alternative model of budgeting views the budgetary process as one involving intense competition between agencies for scarce resources.¹⁵ Allocations are not automatic in this model but are the resultant of a political struggle for funds with definite winners and losers emerging from the battle over resources.

The case study of New York City provides evidence that budget allocations are by no means uniformly distributed. Between 1965 and 1975, public welfare expenditures grew by 530 percent while police expenditures grew by 136 percent, fire expenditures by 123 percent, sanitation expenditures by 82 percent, and highway expenditures by 28 percent. Between 1975 and 1979 public welfare expenditures decreased by 18 percent while fire and sanitation expenditures grew by 6 percent and highway expenditures grew by 30 percent.

Political ideology provides insight into why these changes in allocations and priorities take place. The large increase in public

welfare expenditures in New York concided with President Johnson's great concern for social justice and the war on poverty. Similarly, cuts in public welfare spending in the late 1970s may reflect growing conservative criticism of social programs that proliferated in the late sixties and early seventies. The existence of real change in budget priorities and an examination of why these changes occur lead to the second theme addressed in this study.

Ideological Influences on Budgeting

The position that budgets are dynamic documents rather than restatements of the status quo is presented above. Incremental budgeting does not address the issue of change which is essential in order to understand where we are going as a society and what we value.

The second theme of this dissertation focuses upon political ideology and how ideology may influence resource allocation. Chapters 2 and 3 have delineated the basic differences between liberal and conservative philosophies. These differences, no doubt, lead to differing perceptions concerning how to govern. Liberal and conservative ideologies differ in regard to certain basic issues, such as the role of the state, taxes, and means of stimulating growth. Supply-side conservatives reject the Keynesian view that government deficits and an expanded money supply should be used to stimulate spending by consumers and businesses, i.e., stimulate demand.¹⁶ Supply-siders believe that in an unfettered market supply will create its own demand and that policies aimed at stimulating the economy need only be concerned with increasing production. These basic differences in philosophies will affect taxing and spending policy.

The perception that budgeting policy merely reinforces the status quo (incremental) or is the result of rational cost-benefit analysis does not seem to explain major spending shifts. On the national level, it has been estimated that defense spending will increase 40 percent in real dollars over the next four years while spending in other areas will decline.¹⁷ An ideological perspective helps to explain this transfer of resources from domestic to military spending. Many liberals feel that the defense spending increases are unnecessary and exorbitant. Rational cost-benefit analysis cannot in reality make choices which relate to these values. William Gorham maintained that trade-offs between spending on categories such as health, education, welfare, and defense were based upon value judgments and politics.¹⁸ The ideology of decision makers therefore will influence which of these expenditure demands receives preference. A decline in the salience of liberal ideas has probably had some influence on allocations today.

Decline of Saliency of Liberal Ideology

Erosion of the liberal position provides one possible explanation for budget developments today. The perception that an ever-expanding public sector is desirable has come under attack in recent years. Theodore H. White stated that the election of 1980 marked the rejection of a whole system of ideas that dominated American life since the early 1960s. He stated that the Great Society is an example of good will being pushed too far and rejected by voters.¹⁹ George Will has noted that the Democratic party (with its association with liberal policies) has not received a majority of the white vote since the Johnson landslide of

1964.²⁰ The detachment of "neoliberals" such as Gary Hart, Paul Tsongas, and Bill Bradley from discredited social programs of the sixties indicates that many of today's Democratic politicians are aware of voter dissatisfaction with liberal programs. Theodore Lowi noted this dissatisfaction, claiming that the sixties resulted in a "spectacular paradox" where the expansion of the welfare state was accompanied by a growing sense of distrust toward public figures.²¹

In the late 1960s a group of prominent social scientists including Daniel Bell, Nathan Glazer, Seymore Martin Lipset, Irving Kristol, and James Q. Wilson banded together and formed a new magazine in order to analyze public policy and its limits and consequences. This group united to make a stand against the armies of alienation in society and were quickly labeled "neoconservatives."²² The perspective of this group was also enunciated by Norman Podhoretz, editor of Commentary. Podhoretz claimed that Commentary could clearly address the radicalization of the 1960s since many of the magazine's contributors (Glazer, Midge Decter, Dennis Wrong, Michael Novak, Walter Goodman, Bayard Rustin, Samuel McCracken, Elliot Abrams, and Diane Ravitch) had had some experience with the counterculture movement. In addition to these authors, others who had never been identified with the movement, such as Moynihan, Kristol, Robert Nisbet, Paul Seabury, Jeanne Kirkpatrick, Roger Starr, Paul Weaver, Walter Laquer, and Edward Luftwak, contributed to the magazine. Podhoretz claimed that these authors subjected the ideas of the movement to a sustained critical analysis by writers "who could not easily be discredited and who would not be intimidated."²³

Podhoretz claimed that the principle of equality of results enunciated in the sixties represented an assault on what was perhaps the single most distinctive feature of the American tradition: the idea that social justice is satisfied by the distribution of rewards on the basis of individual merit. Podhoretz maintained that it was unrealistic to demand that the ultimate goal of society be the equal distribution of rewards to all. Podhoretz claimed that

under the new egalitarian banner, and in the name of justice, it was possible to denigrate the pursuit of success as well as the values traditionally associated with it (ambition, discipline, work). People who possessed these qualities could be stigmatized as exploiters and oppressors; or if they were not themselves especially successful, they could be looked down upon for the meanness of their aspirations.²⁴

Irving Kristol maintained that a problem of the liberal ideology was that it created a welfare state which was on a collision course with working-class psychology.²⁵ Celeste MacLeod claimed that problems with liberal philosophies became evident when growing numbers of the working class turned against big government, political idealists, and the entire spectrum of the counterculture, and not against the groups that a Marxist might expect them to rise up against such as multinational banks and multinational corporations. She noted that blue-collar workers lined up against idealists and counterculturalists from the "affluent society."²⁶ In the 1960s archenemies of workers were said to be hippies and antiwar activists; in the 1970s the new enemies were environmentalists. MacLeod stated that in the mid-seventies workers shocked environmentalists by resenting this movement of "college-educated optionnaires" from the affluent society who believed that the survival of obscure birds were more important than jobs for workers in specific areas.

Ken Auletta and Robert Eisner promoted the theory that liberal philosophies became captured by greedy special interest groups that were more interested in profiting from the growth of the welfare state than in accomplishing abstract objectives such as ending poverty. Physicians, attorneys, administrators, realtors, and construction companies are just some of the groups that had vested interests in the expansion of programs to provide health and housing to the poor.²⁷ Conservatives such as William Simon and M. Stanton Evans look at the factional amounts that actually were expended on the poor and claim that "leaky sieve" liberal programs were failures.

Socialists such as Michael Harrington, William Tabb, Manuel Castells, Robert LeKachman, Michael Harvey, David Mermelsteen, and Roger Alcala believe liberal philosophies are in retreat because the programs implemented did not go far enough in reversing the structural contradictions of society. They maintained that policies aimed at correcting inequities in the system were doomed to fail since the privatization of profit and other elements of the capitalist structure remained intact.

Conservatives such as Milton Friedman view the failure of liberal programs from the perspective of their inability to allocate resources efficiently. To Friedman, the individual spending his own money on himself in a competitive free market would provide the best means of ensuring efficiency. Liberal programs, however, usually do not involve free market decisions but rather bureaucratic decisions where someone (administrators) spends someone else's money (taxpayers') on someone else (recipient of program). This would almost guarantee inefficiency and waste since administrators would have little incentive to economize or

get the greatest value. Friedman stated that there is little wonder that spending for liberal programs explodes and is ineffective:

The bureaucrats spend someone else's money on someone else. Only human kindness, not the much stronger and more dependable spur of self-interest, assures that they will spend the money in the way most beneficial to the recipients. Hence, the wastefulness and ineffectiveness of the spending.²⁹

Friedman goes a step further. He claims not only that inefficiency will result from programs where someone spends someone else's money on others, but that this will lead to a rot in the moral fabric of society. It will instill in one group a feeling of God-like power and in another group a feeling of childlike dependence.³⁰

Reasons for the erosion of the popularity of the liberal perspective are many. A great deal of money and effort was expended in the cities of America in the 1960s. Experts in solving social problems were not successful in revitalizing our inner cities. Urban problems that existed in the 1960s and 1970s exist today, probably to a greater extent. Cities are losing populations and becoming even more populated by minorities. Urban problems can be ignored for a period of time; yet they will not go away by themselves. Policies must be developed that will address the malaise and reverse the decline. A restatement of the urban problem is delineated below.

Restatement of the Problem

Problems of the cities have been discussed in the literature for quite some time. A number of different perspectives are addressed by the scholars in the field. Many authors concentrate upon the cultural problems of inner city residents. The cultural perspective was discussed in Chapter 2. Edward Banfield, Daniel Moynihan, and James Q. Wilson all

attribute the problems of our cities to class, family, or the psychological predispositions of city residents. Edward Banfield presented the view that problems of the city are related to the cultural orientation of the lower class. Banfield stated that this class lives from moment to moment, either unable or unwilling to take the future into account. He viewed this behavior as making it virtually impossible to improve urban conditions through public policy.³¹ Daniel Patrick Moynihan also attributed to cultural factors an explanation for urban problems. However, Banfield emphasized class, whereas Moynihan focused upon the characteristics of black families.³² Moynihan reported that the black family in America was so shattered that any chance for blacks to benefit from federal legislation was precluded. He argued that the matriarchal structures of black families produced an unstable home environment which prevented black children from achieving success at school or in their careers.

Unfulfilled expectations have also been described as a cause for urban problems. James Q. Wilson claimed that there is a psychological urban problem of expectations increasing faster than achievements.³³ Wilson stated that the psychological urban problem cannot be solved, but only coped with. Efforts to lessen the gap between expectations and achievements will in the short run make the discontent produced by the gap more acute.

Other authors view the problems of the cities from a radical or socialist perspective. William Tabb claimed that class conflict lies at the heart of the cities' crises.³⁴ Manuel Castells was more specific, emphasizing that the problem of cities is a result of the privatization

of profits and the socialization of costs such as relocation and pollution.³⁵ David Harvey focused upon geographical structure as an indicator of class relationships. He saw produced and controlled scarcity as generating this structure and leading to the exploitation of the many by the few.³⁶ Michael Harrington also viewed structural conditions within our capitalist society as leading to tremendous inequities, stressing that the American political and economic system must be made accountable to the laying to waste of urban area.³⁷

Still others, such as Jane Jacobs and Norton Long, have focused upon neighborhood structure and the economic base. Jane Jacobs contended that "the death of American cities" is the result of lack of neighborhood integrity.³⁸ In Jacobs' view, urban vitality is centered around the structure of the neighborhood, and urban renewal and other planning approaches may have caused more harm than good by undermining the neighborhood environment. In order for cities to revitalize, she advocated the intermixing of old and new structures and allowing neighborhoods to serve both residential and commercial functions.

Jacobs discussed the internal structure of cities as a leading determinant of urban decline. Other authors have focused upon the external conditions. These conditions include the search for space, changes in transportation technology, movement of labor, the availability of external economies, and flight from taxes.³⁹ The reaction to these changing conditions exacerbated the decline through white flight, disinvestment in infrastructure and, "red-lining" in certain neighborhoods.

Norton Long claimed that our cities are in danger of turning into Indian reservations—"poor house[s], with a set of suburbanized keepers

(cops, school teachers, welfare workers, and other bureaucrats) that surrounds a central business district protected by barbed wire."⁴⁰

Long recognized the necessity of restoring the city's local economies. Rather than a "bricks-and-mortar" approach to urban problems, Long focused upon support of human capital. Long claimed that local communities are the socioeconomic cells of the larger body politic and that only when these cells are healthy can the nation be healthy. Cities today, however, are for the most part anything but healthy. They are in danger of becoming centers for corporate America, surrounded by a dumping ground for what may be a permanent underclass of society. Unemployment, poor education, crime, alcoholism, drug addiction, and violence mark the ghettos of our inner cities. Some examples of famous individuals climbing out the ghetto to achieve wealth and fame exist; however, opportunity for the vast majority is not great. The Kerner Commission in 1968 reported that our nation was moving toward two societies, one black, one white—separate and unequal.⁴¹ There is little to indicate that the situation has changed since 1968.

Long claimed that the economic utility of inner cities has vanished, and that there is a great need for the development of low-skilled jobs. These jobs were plentiful in the cities at one time but have since moved to areas with stable supplies of cheap labor. High unemployment has led to low feelings of self-esteem on the part of inner-city residents and a deterioration of social controls. Long claimed that cities must invest in what he termed "social capital" in order to combat the frustrations of residents. Long contended that, to date, urban programs have been far too interested in physical structures and

not interested enough in social structures. He blamed this "bricks-and-mortar" approach on the unions, the construction industry, the real estate industry, banks, architects, planners, bureaucrats, and politicians, all of whom had something to gain from the building of even uneconomical monuments.⁴² Similar coalitions with a focus on social structures had not, in Long's opinion, been comparably developed. Constitution Plaza in Hartford and Pruitt-Igoe in St. Louis are examples of the failure of the structural approach.

Robert Curvin and Bruce Porter agreed with many of Long's contentions in their 1979 Ford Foundation study. They studied the 1977 summer looting in New York City and concluded that the looters suffered from a "spiritual kind of hunger" since they lacked the power to consume at levels encouraged by society.⁴³ They also demonstrated that a breakdown in the social contract exists. This social contract calls for the individual to accept certain rules and obligations in return for society's protection. The social contract has been undermined in the larger cities over a long period of time. Distrust of governmental authority and the agents of the state (police) who enforce that authority runs deep. Michael Harrington charged that the growth of the welfare state may in a small way have contributed to the deterioration of authority in the cities. He maintained that the welfare state has undermined people's faith in traditional values without replacing those values with anything as enduring. He feared that left-wing values were being summoned to defend "bourgeois hedonism."⁴⁴ Furthermore, the hedonistic values that were being extolled in society could not be satisfied because of the stagflation that was gripping the economy. In Jimmy Carter's words, a "crisis

of confidence" resulted from the replacement of traditional values with newer values and the inability to satisfy desires resulting from these new values.

A fundamental problem of the cities alluded to by Long is the lack of economic utility in these areas. Long claimed that the state of the inhabitant's employment is the single most important fact about a city. The improvement of the state of employment therefore should be the single most important task of a polity. It is also the most powerful way for the city to earn the loyalty and commitment of its people.⁴⁵ In Long's opinion, lack of an economic function leaves the city valueless, powerless, a "husk empty of nutrients."⁴⁶ If economic vitality is not achieved, blacks will come to power in the inner city "after it has been been drained dry and left a crumbling mass of structures encumbered with a still largely white public bureaucracy allied with the construction unions in the continued exploitation of what remains."⁴⁷ Both the cities themselves and the poor have a vested interest in upgrading the employment of city residents. Long claimed that the public goods of education, health, security, housing, and transportation should all be structured to meet this end. If cities do not address the problems of employment, the dead weight of a dependent population will force other residents to abandon the cities, escaping the burden of heavy taxation by moving to the suburbs. This process has been continuing unabated for years. Greater employment opportunities, however, may slow down or even reverse this process.

Cities recognize that they must turn tax recipients into taxpayers with a stake in the larger system. Ghetto residents, surrounded by poor

role models, high crime, drugs, alcohol, poor family relationships, and poor educational systems, find it difficult to break into the mainstream of "straight" society. As teenage pregnancies among inner-city residents continue to rise, evidence of a permanent underclass mounts. The permanence of this underclass is the real problem of cities and America.

George Gilder claimed that our welfare system has contributed to the development of this underclass in America today. He maintained that welfare has eroded family relationships and the work ethic. Instead of helping the poor it has relegated them to the bottom strata of society by misrepresenting the facts of life that prompted previous generations of poor people to escape poverty through the three pillars of work, family, and faith.⁴⁸

Today, all cities exhibit signs of decline; yet the decline appears to be sharpest in the liberal cities. Whether ideology is linked to this greater decline is speculative. Burnt-out buildings and garbage-strewn, empty lots, however, are a reality. A coherent urban policy for the eighties has yet to be formulated. Any future policy, as maintained by Long and Gilder, must be formulated with the long-term prosperity of the poor in mind. The necessity of assimilating the bottom strata of society into mainstream America is recognized as a vital necessity for urban America. Our society will not long endure if the bifurcation of ghetto poverty and suburban affluence continues.

Notes

¹Daniel Elazar, "Introduction," in Daniel J. Elazar and Joseph Ziskmund II, eds., The Ecology of American Political Culture: Readings (New York: Thomas Y. Crowell Co., 1975), p. 1.

²Per capita expenditures were higher for the following categories: general expenditures, police, fire, sanitation, sewage, library, financial administration, general control, general public buildings, and other.

³Growth in per capita expenditures were higher for the following categories: general expenditures, police, fire, sanitation, parks and recreation, financial administration, and highways.

⁴Abraham Kaplan, The Conduct of Inquiry (New York: Thomas Y. Crowell Company, Inc., 1964), p. 15.

⁵Astrid Merget, "The Era of Fiscal Restraint," The 1980 Municipal Yearbook (Washington, D.C.: International City Management Association, 1980), p. 182.

⁶Thomas Dye, "Taxing, Spending and Economic Growth in American States," Journal of Politics (November 1980), pp. 1085-1089.

⁷Liberal cities averaged 68.7 percent white while conservative cities averaged 83.6 percent. The elderly population in liberal cities averaged 11.2 percent compared to 8.29 percent in conservative cities.

⁸Decision rules for adjusting budgets are described in Chapter 5. This methodology facilitates comparative urban analysis in the area of budgeting.

⁹The mean of per capita general expenditures in liberal cities was \$551 compared to \$345 in conservative cities. Per capita police expenditures averaged \$94 in liberal cities in contrast to \$59 in conservative cities, while intergovernmental revenue averaged \$293 in liberal cities compared to \$158 in conservative cities.

¹⁰"Anger of the Wily Stalkers," Time, July 5, 1982, p. 30.

¹¹Aaron Wildavsky, The Politics of the Budgetary Process (Boston: Little, Brown, 1964), p. 18.

¹²Charles Levine, "More on Cutback Management: Hard Questions for Hard Times," in Charles Levine, ed., Managing Fiscal Stress (Chatham, N.J.: Chatham House Publishers, Inc., 1980), p. 311.

¹³Expenditure growth variance is calculated by subtracting the growth of individual expenditure categories from the growth of general expenditures, squaring the difference, and summing the squared difference.

¹⁴Richard Fenno, The Power of the Purse (Boston: Little, Brown, 1966), pp. 267, 345, 356; Ira Sharkansky, "Agency Requests, Gubernatorial Support, and Budget Success in State Legislatures," Political Science Review, 62 (December 1968), 1223; John P. Crecine, Governmental Problem Solving (Chicago: Rand McNally, 1969), pp. 206-298; O. A. Davis, M. A. H. Dempster, and Aaron Wildavsky, "A Theory of the Budgetary Process," American Political Science Review, 60 (September 1966), 530-531.

¹⁵Peter Natchez and Irvin Bupp, "Policy and Priority in the Budgetary Process," American Political Science Review, 67 (September 1973), 956.

¹⁶Martin Feldstein, "The Retreat from Keynesian Economics" The Public Interest, 64 (Summer 1981), 93.

¹⁷James Fallows, "Toward a Sane National Defense," Gainesville Sun, July 4, 1982, p. 4.

¹⁸Aaron Wildavsky, "Rescuing Policy Analysis from PPBA," Public Administration Review, 29 (March/April 1969), 189-202.

¹⁹"America's Problem: Trying to Do Everything for Everybody," U.S. News and World Report, July 5, 1982, p. 59.

²⁰Robert Hoy, "Lid on a Boiling Pot," in Robert Whitaker, ed., The New Right Papers (New York: St. Martin's Press, 1982), p. 101.

²¹Theodore Lowi, The End of Liberalism (New York: W.W. Norton and Company, 1969), p. 50.

²²Norman Podhoretz, Breaking Ranks (New York: Harper and Row Publishers, 1979), p. 305.

²³Ibid., p. 307.

²⁴Ibid., p. 292.

²⁵Irving Kristol, Two Cheers for Capitalism (New York: Basic Books, Inc., 1978), p. 213.

²⁶Celeste MacLeod, Horatio Alger, Farewell: The End of the American Dream (New York: Seaview Books, 1980), p. 178.

²⁷Michael Harrington, "Why the Welfare State Breaks Down," in Irving Howe, ed., Beyond the Welfare State (New York: Schocken Books, 1982), p. 29.

²⁸Kristol, 231.

²⁹Milton and Rose Friedman, Free to Choose (New York: Basic Books, Inc., 1981), p. 108.

³⁰Ibid., p. 110.

³¹Edward Banfield, The Unheavenly City Revisited (Boston: Little, Brown and Company, 1970), p. 54.

³²Lee Rainwater and William Yancey, "The Moynihan Report: Opposition in the Permanent Government," in Douglas Fox, ed., The New Urban Politics (Pacific Palisades, Calif.: Goodyear Publishing Company, Inc., 1972), pp. 118-128.

³³James Q. Wilson, "The War on Cities," The Public Interest, 3 (Spring 1966), 33.

³⁴William Tabb, "Blaming the Victim," in Robert E. Alcala and David Mermelstein, eds., The Fiscal Crisis of American Cities (New York: Vintage Books, 1977), p. 326.

³⁵Manuel Castells, The Economic Crisis and American Society (Princeton, N.J.: Princeton University Press, 1978).

³⁶David Harvey, Social Justice and the City (Baltimore: Johns Hopkins University Press, 1975).

³⁷Michael Harrington, Decade of Decision (New York: Simon and Schuster, 1980), p. 186.

³⁸Jane Jacobs, The Death and Life of Great American Cities (New York: Random House, 1961).

³⁹Edgar M. Hoover and Raymond Vernon, Anatomy of a Metropolis (Garden City, N.J.: Doubleday, 1962).

⁴⁰Norton E. Long, "A Marshall Plan for Cities?" The Public Interest, 46 (Winter 1977), 57.

⁴¹U.S. Commission Report, Report of the National Advisory Commission on Civic Disorders (New York: Bantam Books, 1968), p. 1.

⁴²Long, 53.

⁴³Robert Curvin and Bruce Porter, Blackout Looting! (New York: Gardner Press, Inc., 1979), p. 185.

⁴⁴Michael Harrington, "Why the Welfare State Breaks Down," in Irving Howe, ed., Beyond the Welfare State (New York: Schocken Books, 1982), p. 39.

⁴⁵Norton Long, The Unwalled City (New York: Basic Books, Inc., 1972), p. 162.

⁴⁶Ibid., p. 182.

⁴⁷Ibid., p. 183.

⁴⁸George Gilder, Wealth and Poverty (New York: Basic Books, Inc., 1981), p. 122.

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APPENDIX A
AMERICANS FOR DEMOCRATIC ACTION SCORES, BY DISTRICTS WITHIN CITIES

Year	New York																
	District																
	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
1980	72	78	72	50	89	78	78	94	44	-	-	94	78	100	72	94	
1979	79	68	74	63	84	89	95	95	37	-	-	68	84	100	84	100	
1978	70	90	-	55	70	100	80	95	35	100	35	58	80	100	79	80	
1977	80	90	-	70	85	95	90	95	45	100	40	-	100	100	-	95	
1976	90	100	55	50	95	84	95	95	58	100	45	100	100	-	85	90	
1975	95	89	53	53	95	95	100	95	50	95	50	100	100	-	100	100	
1974	83	96	61	32	-	100	-	-	-	100	50	91	95	100	100	95	
1973	83	100	48	57	-	100	-	-	-	100	52	96	100	100	100	100	
1972	94	100	31	56	75	69	100	25	63	-	38	100	94	100	100	75	
1971	76	100	24	65	78	97	86	49	89	-	43	92	92	100	92	100	
Average	82	91	52	55	84	91	91	80	53	99	44	89	92	100	90	93	
City Average	80																

	Los Angeles ^a							Detroit							Cleveland	
	District							District							District	
	21	23	24	25	28	29	1	14	15	16	17	18	20	21		
1980	-	94	83	89	94	89	78	-	78	67	94	72	67	78		
1979	-	100	95	84	79	74	79	-	68	58	100	79	68	95		
1978	70	80	90	85	-	75	45	40	60	50	85	65	60	85		
1977	85	90	80	100	-	60	85	55	50	70	80	60	65	90		
1976	90	-	80	100	100	70	75	70	60	78	85	70	-	85		
1975	100	-	89	100	94	84	83	84	94	67	100	95	-	94		
1974	86	-	-	-	95	100	95	79	72	60	-	-	90	100		
1973	79	-	-	100	100	96	95	83	87	83	-	-	74	100		
1972	94	88	88	92	31	91	88	75	75	63	31	-	56	82		
1971	81	84	84	93	24	73	76	84	78	76	49	-	76	89		
Average	86	90	86		77	80	80	74	72	67	78	74	70	90		
City Average	85						74						80			

Year	Columbus		Milwaukee		Memphis		Houston		San Antonio		Dallas		Phoenix	
	District		District		District		District		District		District		District	
	15	4	5	12	8	7	8	18	20	21	3	5	1	
1980	28	61	89	-	83	6	-	83	72	0	11	50	0	
1979	21	53	95	-	79	0	-	84	74	0	0	42	11	
1978	25	40	80	5	70	10	75	-	70	-	10	40	15	
1977	35	40	90	15	75	5	90	-	30	-	5	60	5	
1976	10	50	95	5	80	0	75	75	53	21	0	11	0	
1975	21	58	95	0	88	0	89	89	47	32	0	6	13	
1974	26	50	96	4	-	0	95	91	45	-	9	8	6	
1973	25	56	88	0	-	8	96	100	65	-	0	32	4	
1972	6	44	100	0	0	6	94	-	56	6	6	-	6	
1971	11	38	97	8	0	5	94	-	57	0	8	-	11	
Average	21	49	93	5		4	89	87	57	15	5	31	7	
City Average	13	71			79	60			36		18		7	

Year	New Orleans		San Francisco		San Jose		San Diego		Baltimore		Indianapolis	
	District		District		District		District		District		District	
	1	2	5	6	13		41	42	3	7		6
1980	11	50	94	83	83		-	-	89	89		28
1979	11	42	84	95	79		-	-	74	100		32
1978	10	45	80	95	80		15	60	75	90		25
1977	0	30	100	85	80		0	60	60	90		40
1976	10	30	100	95	95		0	80	70	95		50
1975	5	47	95	94	95		13	79	84	88		68
1974	6	36	92	95	-		9	87	100	100		-
1973	6	73	-	100	-		0	83	96	100		-
1972	0	-	100	100	6		88	88	81	88		0
1971	0	-	92	32	14		76	76	73	100		3
Average	6	44	93	87	66		25	77	88	94		31
City Average	25		90		66		51		91			31

^aAn effort was made to record scores for the same geographic area regardless of the district number. In Los Angeles, district numbers representing the same area changed. The area represented by the 23rd district from 1974 to 1980 was represented by the 26th district before 1973. Similarly, the area of the 25th

district was represented by the 30th district before 1973. Scores represent the districts corresponding to the city's geographic boundaries. Blanks represent periods when new representatives were elected and scores were not available. A period of 10 years was viewed as sufficient to establish an index of political philosophy.

APPENDIX B
CHI-SQUARE VALUES

Ranking in 1981

$$\begin{aligned} \chi^2 &= \frac{((7-9) - .5)^2}{9} + \frac{((5-3) - .5)^2}{3} + \frac{((8-6) - .5)^2}{6} + \\ &\quad \frac{((0-2) - .5)^2}{2} \\ &= .25 + .75 + .375 + 1.125 \\ &= 2.5. \end{aligned}$$

Trend of Rankings

$$\begin{aligned} \chi^2 &= \frac{((1-3.5) - .5)^2}{3.5} + \frac{((5-2.5) - .5)^2}{2.5} + \frac{((6-3.5) - .5)^2}{2.5} + \\ &\quad \frac{((0-2.5) - .5)^2}{2.5} \\ &= .7225 + 1.6 + .2857 + 1.6 \\ &= 4.2092. \end{aligned}$$

APPENDIX C PERFORMANCE OF SOCIOECONOMIC VARIABLES

City	% Change in Suburbanization, 1950-75	% Change in Unemployed Population, 1950-70	% Change in Elderly Population, 1950-70	% Change in Total Employment, 1950-70	% Change in Value Added by Manufacturing, 1954-70	% Change in Retail Sales, 1954-72	% Change in Median Family Income, 1954-72	% 4 Years High School or More, 1970	% Below Poverty Level, 1970	Serious Crime Known per 100,000, 1970
<u>Liberal Cities</u>										
San Francisco	-14.3	-19.9	+45.8	-3.7	46.7	70.2	195.3	61.8	9.9	9,864
Baltimore	-10.3	-30.4	+43.2	-9.9	107.6	46.4	169.1	34.3	14.0	8,267
New York	-5.2	-15.4	+57.1	-2.6	73.6	66.1	174.3	46.9	11.5	7,771
Boston	-20.6	-13.4	+31.9	-14.5	79.8	27.0	181.1	53.5	11.7	12,648
Detroit	-27.8	-33.5	+101.8	-26.0	62.5	6.8	153.8	41.8	11.3	11,662
Cleveland	-30.1	-27.0	+35.9	-26.6	48.4	2.4	157.7	37.4	13.5	9,049
Chicago	-14.4	-23.2	+39.5	-14.1	62.3	49.3	158.8	43.9	10.6	7,610
Milwaukee	+4.5	-12.3	+35.8	+5.9	90.3	49.4	169.9	49.2	8.1	5,785
Los Angeles	+38.4	-13.2	+5.2	+43.9	129.4	112.3	194.5	62.0	9.9	8,191
Memphis	+67.0	-3.0	+28.8	+43.9	259.1	182.4	202.4	50.1	15.7	8,211
San Jose	+483.0	-3.9	-45.1	+359.5	312.7	388.5	201.5	39.9	11.2	4,639
Philadelphia	-12.3	-19.5	+41.0	-7.7	51.5	45.3	181.8	65.3	6.4	7,933
Mean	+41.9	-17.9	+35.1	+29.0	110.3	87.2	178.3	48.8	11.1	8,469
Standard Deviation	141.7	9.6	33.8	106.7	86.4	106.5	17.2	10.2	2.5	2,206
<u>Conservative Cities</u>										
Phoenix	+22.0	-3	+4.8	+486.9	1740.3	417.9	211.5	58.9	8.8	11,391
Dallas	+37.1	-14.4	+29.5	+87.1	278.1	165.9	183.9	54.2	10.1	11,616
Houston	+123.0	-6.7	+30.0	+104.4	288.4	257.2	191.4	51.8	10.7	6,950
San Diego	+131.0	-5.6	+6.0	+114.6	137.0	213.8	185.8	66.2	9.3	7,755
San Antonio	+89.3	-1.7	+35.5	+60.1	275.0	193.5	187.9	42.7	17.5	7,629
Indianapolis	+83.1	-4.0	0	+72.1	286.5	175.7	204.2	55.4	6.8	7,835
Columbus	+42.5	-7.4	-2.3	+42.4	150.0	146.2	165.8	55.6	9.8	9,389
New Orleans	-2.0	-19.1	+51.0	-3.3	143.2	81.3	169.0	42.3	21.0	7,110
Mean	+134.5	-7.3	+19.3	+188.0	412.3	206.4	187.4	53.4	11.8	8,709
Standard Deviation	162.3	6.5	19.7	224.6	541.0	100.0	15.6	8.0	4.9	1,874
Standard Error of Difference	72.3	4.1	14.0	79.0	167.7	168.4	66.6	4.5	1.8	1000.5

APPENDIX D STANDARD ERROR OF DIFFERENCE

Standard error of difference is calculated by taking the square root of the following equations:

$$\frac{N_1(\text{st. deviation of group 1})^2 + N_2(\text{st. deviation of group 2})^2}{(N_1 + N_2 - 2)} \times$$

$$\frac{1}{N_1} + \frac{1}{N_2}$$

where:

N_1 = total number in first group (liberal)

N_2 = total number in second group (conservative).

Degrees of freedom: 18.

The square roots of the following equations have been calculated:

Change in value added by manufacturing:

$$\frac{12 (86.4)^2 + 8 (541)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 167.7.$$

Change in retail sales:

$$\frac{12 (106.5)^2 + 8 (100)^2}{18} = \left(\frac{1}{12} + \frac{1}{8} \right) = 168.4.$$

Median Income:

$$\frac{12 (788)^2 + 8 (1205)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 470.$$

Change in median income:

$$\frac{12 (178.3)^2 + 3 (15.6)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 66.6.$$

Change in population:

$$\frac{12 (141.7)^2 + 8 (162.3)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 72.3.$$

White population 1970:

$$\frac{12 (12.5)^2 + 8 (162.3)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 6.$$

Change in white population:

$$\frac{12 (9.6)^2 + 8 (6.5)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 4.1.$$

Elderly 1970:

$$\frac{12 (2.1)^2 + 8 (1.2)^2}{18} = \left(\frac{1}{12} + \frac{1}{8} \right) = .9.$$

Change in Elderly:

$$\frac{12 (33.8)^2 + 8 (19.7)^2}{18} = \left(\frac{1}{12} + \frac{1}{8} \right) = 14.$$

Change in total employment:

$$\frac{12 (106.7)^2 + 8 (224.6)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 79.$$

High school or higher education:

$$\frac{12 (10.2)^2 + 8 (224.6)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 4.5.$$

Percentage below poverty:

$$\frac{12 (2.5)^2 + 8 (4.9)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 1.8.$$

Serious crime:

$$\frac{12 (2206)^2 + 8 (1874)^2}{18} \times \left(\frac{1}{12} + \frac{1}{8} \right) = 1000.5.$$

Figures must be computed when there are 16 degrees of freedom
(San Jose and New Orleans omitted).

Degrees of freedom: 16

Change in population:

$$\frac{11 (29.5)^2 + 7 (165)^2}{16} \times \left(\frac{1}{11} + \frac{1}{8} \right) = 47.$$

Change in white population:

$$\frac{11 (9)^2 + 7 (4.7)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 3.9.$$

Change in elderly population:

$$\frac{11 (23.5)^2 + 7 (4.7)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 11.9.$$

Change in total employment:

$$\frac{11 (24.2)^2 + 7 (155.8)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 50.8.$$

Change in median income:

$$\frac{11 (66.5)^2 + 7 (57.2)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 8.1.$$

Change in value added:

$$\frac{11 (66.5)^2 + 7 (57.2)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 32.3.$$

Change in retail sales:

$$\frac{11 (50.7)^2 + 7 (92.6)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 35.9.$$

White population 1970:

$$\frac{11 (10.7)^2 + 7 (8.1)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 5.0.$$

Elderly population 1970:

$$\frac{11 (1.4)^2 + 7 (8.1)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = .6.$$

High school or higher education:

$$\frac{11 (9.2)^2 + 7 (7.1)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 4.3.$$

Percent below poverty level:

$$\frac{11 (2.1)^2 + 7 (3.4)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 1.4.$$

Median income 1969:

$$\frac{11 (687)^2 + 7 (958)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 412.$$

Serious crime:

$$\frac{11 (2306)^2 + 7 (1901)^2}{16} \times \left(\frac{1}{11} + \frac{1}{7} \right) = 1106.$$

APPENDIX E NUMBERS OF SERVICES ASSUMED BY CITIES

City	Number of Services (20 Years)															
	Total	Ed.	Hosp.	Hea.	P.W.	Pol.	Fire	San.	Hwy.	Sew.	Hous.	Lib.	P.&R.	F.A.	G.C.	G.P.B.
New York	15	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Baltimore	14	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1
San Francisco	14	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Boston	13	1	1	0	0	1	1	1	1	1	1	1	1	1	1	1
Philadelphia	13	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1
Chicago	13	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1
Detroit	13	0	1	1	0	1	1	1	1	1	1	1	1	1	1	1
New Orleans	12	0	0	1	0	1	1	1	1	1	1	1	1	1	1	1
San Antonio	10	0	0	0	0	1	1	1	1	1	0	1	1	1	1	1
Cleveland	10	0	0	0	0	1	1	1	1	1	1	0	1	1	1	1
Dallas	10	0	0	0	0	1	1	1	1	1	0	1	1	1	1	1
Houston	10	0	0	0	0	1	1	1	1	1	0	1	1	1	1	1
Los Angeles	11	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1
Milwaukee	10	0	0	0	0	1	1	1	1	1	0	1	1	1	1	1
Indianapolis	8	0	0	0	0	1	1	1	1	1	0	0	1	1	1	0
Columbus	8	0	0	0	0	1	1	1	1	1	0	0	1	1	1	0
Memphis	9	1	0	0	0	1	1	1	1	1	0	0	1	1	1	0
Phoenix	9	0	0	0	0	1	1	1	1	1	0	1	1	1	1	0
San Diego	9	0	0	0	0	1	1	1	1	1	0	1	1	1	1	0
San Jose	9	0	0	0	0	1	1	1	1	1	0	1	1	1	1	0
Totals	4	6	7	3	20	20	20	20	20	20	10	16	20	20	20	14

Key: 1 = service
 2 = no service
 Ed. = education
 Hosp. = hospital
 Hea. = health
 P.W. = public welfare
 Pol. = police
 San. = sanitation
 Hwy. = highway
 Sew. = sewage
 Hous. = housing
 Lib. = library
 P.&R. = parks and recreation
 F.A. = financial administration
 G.C. = general control
 G.P.B. = general public buildings

APPENDIX F
PER CAPITA REVENUES, FY1978-79

City	Intergovernment Revenue			Charges and Miscellaneous Revenue		Taxes	General Revenue	Debt
	State %	Total	State	Federal				
			Liberal Cities					
Baltimore	64	\$434	\$276	\$158	\$ 74	\$143	\$684	\$370
Boston	63	383	241	142	77	340	800	341
Chicago	29	157	46	111	27	194	379	225
Cleveland	8	240	18	222	109	148	497	562
Detroit	50	390	194	196	113	177	679	498
New York	83	341	282	59	341	85	767	866
San Francisco	60	501	300	201	212	190	523	562
Memphis	69	342	236	106	131	41	556	834
Milwaukee	71	232	165	67	71	124	427	273
Los Angeles	41	189	78	111	100	179	468	756
Philadelphia	65	192	124	68	192	313	604	812
San Jose	51	112	57	55	101	154	367	252
Mean	55	293	168	125	129	174	563	529
S.D.	21	122	101	59	84	84	146	241

City	Intergovernment Revenue				Charges and Miscellaneous Revenue		Taxes	General Revenue	Debt
	State %	Total	State	Federal	Miscellaneous Revenue				
Conservative Cities									
Dallas	9	\$ 71	\$ 6	\$ 65	\$ 97	\$ 225	\$ 393	\$ 590	
Houston	9	59	5	54	86	195	340	567	
Indianapolis	49	242	119	123	64	125	380	383	
Phoenix	45	218	98	120	81	154	453	614	
San Antonio	8	103	8	95	75	68	246	1055	
San Diego	44	162	72	90	162	118	384	139	
Columbus	26	151	39	112	105	128	383	821	
New Orleans	21	261	56	205	124	164	549	668	
Mean	26	158	50	64	99	147	391	605	
S.D.	17	77	44	46	31	49	87	273	
Standard Error of Difference	9	51	40	26	33	35	61	122	

APPENDIX G
PER CAPITA EXPENDITURES, FY1978-79

City	Gen. Exp.	Pol.	Fire	San.	Hwy.	Sew.	Lib.	P. & R.	F.A.	G.C.	G.P.B.	Other
<u>Liberal Cities</u>												
Baltimore	\$696	\$ 94	\$47	\$30	\$68	\$22	\$12	\$46	\$17	\$37	\$ 5	\$238
Boston	799	124	85	28	32	17	20	34	18	46	15	274
Chicago	364	114	35	29	27	9	9	5	8	5	7	84
Cleveland	551	99	43	27	29	76	N.A.	17	11	18	10	142
Detroit	614	141	38	25	37	86	11	68	18	25	11	105
New York	624	90	44	39	30	25	12	20	14	22	9	214
San Francisco	825	88	59	8	23	144	12	84	23	48	9	41
Los Angeles	360	90	35	14	29	9	6	27	10	13	8	71
Memphis	452	55	47	33	37	27	N.A.	38	9	19	11	33
Milwaukee	378	75	37	30	45	38	12	17	13	N.A.	8	54
Philadelphia	663	112	35	38	29	53	9	34	11	43	17	152
San Jose	292	51	29	3	38	29	N.A.	35	N.A.	N.A.	N.A.	N.A.
Mean	551	94	44	25	35	45	11	33	14	28	10	128
S.D.	180	26	15	11	12	40	4	24	5	15	3	83

APPENDIX H
REVENUE GROWTH, 1959-79

City	Inter- governmental Revenue	Charges and Miscel- laneous Revenue	Taxes	General Revenue	Debt
<u>Liberal Cities</u>					
Baltimore	1010%	393%	393%	695%	44%
Boston	1319	235	300	492	68
Chicago	824	93	223	316	6
Cleveland	1400	506	83	332	141
Detroit	1119	653	59	330	144
New York	1794	1000	77	691	64
San Francisco	1756	910	192	363	107
Los Angeles	122	456	231	198	184
Memphis	1079	1091	1267	1095	77
Milwaukee	563	274	170	327	112
Philadelphia	2300	773	306	464	135
San Jose	331	173	59	129	123
Mean	1135	546	280	453	100
S.D.	632	337	329	265	50
<u>Conservative Cities</u>					
Dallas	7000	506	333	470	150
Houston	1867	740	324	476	123
Indiana	2100	482	279	591	141
Phoenix	772	636	633	695	279

City	Inter- governmental Revenue	Charges and Miscel- laneous Revenue	Taxes	General Revenue	Debt
San Antonio	3333%	650%	74%	373%	461%
San Diego	1925	523	195	419	67
Columbus	907	425	80	261	383
New Orleans	1350	359	256	503	282
Mean	2407	540	272	473	236
S.D.	2022	127	177	132	138
Standard Error of Difference	659	131	134	107	46

APPENDIX I
EXPENDITURE GROWTH, 1959-79

City	Gen. Exp.	Pol.	Fire	San.	Hwy.	Sew.	Lib.	P. & G.	F.A.	G.C.	G.P.B.	Other
<u>Liberal Cities</u>												
Baltimore	557%	348%	262%	400%	253%	214%	300%	667%	467%	1750%	25%	3300%
Boston	440	359	325	180	220	750	300	325	350	411	650	621
Chicago	300	470	338	263	8	80	350	150	300	67	250	1300
Cleveland	451	395	291	125	93	660	N.A.	69	1000	350	900	1675
Detroit	502	605	375	127	208	1129	11	325	500	1150	450	950
New York	457	348	340	225	67	400	300	333	367	175	350	2957
San Francisco	565	389	247	267	409	3500	500	300	360	433	50	356
Los Angeles	319	429	250	180	142	-10	6	200	400	550	300	1675
Memphis	595	686	488	313	185	350	N.A.	375	800	1700	N.A.	725
Milwaukee	250	317	270	233	30	171	300	240	225	N.A.	60	575
Philadelphia	595	600	338	375	190	657	350	386	175	514	750	1800
San Jose	N.A.	629	222	200	58	190	N.A.	483	N.A.	N.A.	N.A.	N.A.
Mean	458	465	312	232	156	644	269	296	449	710	379	1449
S.D.	122	130	73	90	114	964	160	178	246	607	307	968

City	Gen. Exp.	Pol.	Fire	San.	Hwy.	Sew.	Lib.	P. & G.	F.A.	G.C.	G.P.B.	Other
<u>Conservative Cities</u>												
Dallas	487%	689%	429%	540%	258%	317%	13%	567%	900%	700%	N.A.	400%
Houston	584	729	550	400	145	512	6	567	800	500	0	2750
Indianapolis	436	370	130	57	533	86	N.A.	350	600	750	N.A.	1267
Columbus	577	644	367	380	171	814	N.A.	1025	900	367	1100	2060
Phoenix	865	1267	600	420	1140	675	N.A.	1000	N.A.	N.A.	N.A.	N.A.
San Anotnio	429	567	320	367	69	344	300	1100	500	500	N.A.	2300
San Diego	283	380	59	8	23	144	12	84	23	48	9	41
New Orleans	402	460	300	300	193	170	150	940	367	343	300	367
Mean	508	638	344	259	317	383	96	704	584	458	352	1178
S.D.	174	288	187	203	367	263	129	368	320	237	518	1146

Standard Error
of Difference

70 100 63 70 119 368 39 130 134 237 195 502

Degrees of
Freedom

1 18 18 18 18 18 12 18 16 16 14 16

Key: Gen. Exp. = general expenditures

Pol. = police

San. = sanitation

Hwy. = highway

Sew. = sewage

Lib. = library

P. & R. = parks and recreation

F.A. = financial administration

G.C. = general control

G.P.B. = general public buildings

BIOGRAPHICAL SKETCH

Steven G. Koven was born in Brooklyn, New York, and graduated from Erasmus Hall High School in 1964. After graduation from the City College of New York in 1968, Mr. Koven served as a combat infantryman in Vietnam. Upon discharge, he resumed his schooling at Baruch College, where he received a master's degree in business administration in 1975. While attending Baruch College, Mr. Koven also worked in several agencies of the federal government.

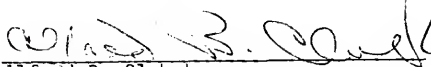
After moving to the state of Florida, he pursued graduate studies in the field of political science at Florida Atlantic University and the University of Florida. In December 1982 he received the degree of Doctor of Philosophy, with a major in political science, from the University of Florida.

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.



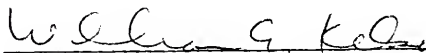
Bert E. Swanson, Chairman
Professor of Political Science

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.



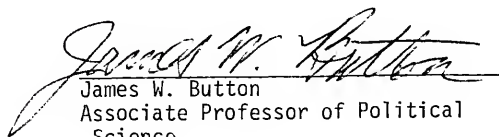
Alfred B. Clubok
Professor of Political Science

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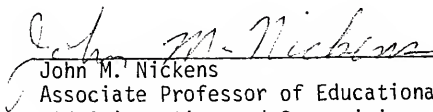
William A. Kelso
Associate Professor of Political
Science

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.



James W. Button
Associate Professor of Political
Science

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.


John M. Nickens
Associate Professor of Educational
Administration and Supervision

This dissertation was submitted to the Graduate Faculty of the Department of Political Science in the College of Liberal Arts and Sciences and to the Graduate Council, and was accepted as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

December 1982

Dean for Graduate Studies and
Research

UNIVERSITY OF FLORIDA



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